

“Providing Real Solutions to the Puzzle of Global Warming”



THIRD QUARTER REPORT
FOR THE PERIOD ENDING
September 30, 2009



HTC PUREENERGY INC.

Form 51-102F1 Management Discussion and Analysis For the Period ending September 30, 2009

INTRODUCTION

The following Management Discussion and Analysis is prepared as of November 30, 2009 and should be read together with the Corporation's Unaudited Consolidated Financial Statements for the period ended September 30, 2009 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 report 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.

HTC Pureenergy's goal is to deliver practical solutions that reduce the environmental impact of greenhouse gas emissions and help solve the challenges of energy security.

Through its innovative and proprietary technologies, HTC is working to achieve this goal by developing cost effective "Carbon Clear Solutions" that will help power plants and other large CO₂ industrial emitters significantly reduce excess carbon emissions.

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

HTC works in conjunction with its collaborative partners - The University of Regina, Doosan Babcock Energy, Doosan Heavy Industries & Construction Co., Ltd. and the International Test Centre for CO₂ Capture "(ITC)", International Performance Assessment Centre, "(IPAC-CO₂)" 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. In addition, the company is working on other

innovative clean energy sources such as the production of hydrogen using various methane and bio feed stocks.

HTC's Carbon Management Product Offer

HTC is currently very active in commercializing its CO₂ Carbon Management product offer world-wide, an outline of our current product offering includes:

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

HTC's Purenergy CCS™ Capture System offers a 'world first' economically viable commercial scale CO₂ capture system for industries seeking 'carbon clear solutions' in power generation, fossil fuels and industrial chemical processing, cement production and many other industrial applications. The CCS Purenergy™ capture system is a fully validated and optimized product of HTC's demanding product development, technology aggregation and testing program, which has been a multi-year collaboration of the University of Regina, Canadian & International engineering groups, international engineering-procure-construct companies and HTC Purenergy.



CCS FEED Engine™

HTC's proprietary "**Process Integration & Front End Engineering Design ("FEED") Engine**" delivers customized precision design solutions for optimized carbon capture systems ("CCS").

Other HTC '**CO₂ Capture Management Solutions**', provide a range of unique and proprietary technologies and optimization processes:

- CO₂ absorption, **packing structure** design to ensure cost effective, high yield CO₂ separation from various flue gas streams;
- HTC **RS™ (Regina Solvents) designer solvent solutions** to optimise separation objectives under varying plant conditions;
- HTC **Thermal Kinetics Optimization TKO™** reduces the thermal energy requirements to capture CO₂

- Engineering protocols designed to provide **optimised process integration** to maximize the efficiency of CO₂ capture infrastructure; and
- **CO₂ NTROL™** An artificial intelligence system has been developed that is unique in the world in operating and monitoring CO₂ capture systems.
- **Reclaimer** – HTC has developed a multi-phased reclaimer for mixed amines. The reclaimer removes the impurities from solvents in an operating environment, thus extending the life of the solvent and lowering operating costs.

Enhanced Oil Recovery

HTC's **Team CO₂** can provide “**end to end**” solutions for the design and implementation of an EOR project using CO₂ capture and injection into legacy oil fields.

HTC has licensed **Conformance Max™** gel and foam technology and **EOR Engine™** products that improve the efficiency of CO₂ enhanced oil recovery.

Geological Sequestration

Carbon Vault™; the permanent storage of CO₂ through injection into assessed and approved underground storage ‘vaults’, which may include saline aquifers, unmineable coal fields and retired oil fields.

Risk analysis

Services self performed and provided by collaborative partners that provide assessment of potential CO₂ storage formations, potential for CO₂ leakage, methods to sequester CO₂ and related costing estimates including:

- Remediation methods;
- Monitoring;
- Storage engineering;
- Effective site selection; and
- Storage and leakage mechanisms.

Carbon Audit, Monitor and Mitigation

Global Carbon Audit Centre: In conjunction with its CO₂ capture and other carbon management solutions, HTC can facilitate **independent carbon storage validation** and assurance at each sequestration site. By virtue of the carbon storage validation and assurance audit, HTC will provide ‘multi-jurisdictional’ and regulatory compliant ‘on market’ **carbon certificates**, which will be tradable on participating carbon credit exchanges around the world.

Highlights of 2009 Operations and Achievements

The first, second and third quarters of 2009 have seen a dramatic increase in public awareness, published news releases and government interests. There appears to be a growing interest around the world to make carbon capture and sequestration a priority. As HTC has had the benefit of drawing from the University of Regina’s 20 years of research in this area, the Corporation is in

the lead in the area of carbon capture commercialization. Not only are other companies in need of the cutting edge technology but they also have to overcome the obstacles created by outdated costing information that does not consider the innovations and new technological advances derived from the years of collaborative research between HTC and the University of Regina.

During the first and second quarters, the Corporation worked extensively with up to 18 engineers from Doosan Babcock Energy Limited and Doosan Heavy Industries & Construction Co., Ltd. (together “Doosan Babcock”) who were sent to the University of Regina’s International Test Centre (“ITC”), located in Regina, to obtain a key understanding of the CO₂ capture technology and capabilities. These engineers will now provide a resource for Doosan Babcock to actively pursue contracts globally using HTC technology under the Corporation’s licensing arrangements. Doosan Babcock is now in a position to take HTC’s technology commercial on a global scale.

During the first quarter the Corporation completed a review of its current resources and anticipated requirements. HTC has identified several areas where additional internal resources can be provided. There is a need to outsource some of the promotional aspects of the operation to help inform the global community and potential customers that HTC’s carbon capture technology is available for commercialization and to inform them of the new realities of reduced costs to capture carbon realized through HTC suit of services. The first and second quarter operations were marked by significant activity associated with organizing and making sure the components are in place for the anticipated contracts and demand for services. During the second quarter, the Corporation has relocated and consolidated its operations within the University of Regina campus to be closer to the ITC and to provide the necessary space for the Corporation’s expanded engineering and administrative teams.

From a product development stand point, the second quarter made significant strides toward the development of CCS related products such as the Laminar Jet and the Mixed Amine Solvent Reclaimer that will be integrated with the Corporation’s CCS Purenergy product offer or can be sold separately. In addition the Corporation identified a number of other potential component products and is exploring the possibility of government assistance for the development of these products.

During the third quarter the Corporation continued its engineering and development of the CCS 1000 and attached component equipment and improvement of the process design and solvent associated with the CCS 1000.

During the third quarter, the Corporation was awarded the prestigious Deloitte Green 15™ Award, an award created to showcase 15 Canadian companies that are leading the way to create major breakthroughs in the field of green technology.

The Corporation has undertaken a number of initiatives that are expected to result in revenue before year end.

The Corporation continues to experience a significant increase in demand for our CO₂ products and services. With the increased interest and concern associated with CO₂ emissions, the amount of political debate world-wide and the amount of interest in the markets, the Corporation 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. and Europe. The Corporation is actively involved in a substantial number of projects world-wide and continues to

explore additional opportunities. The Corporation continues to build its relationship with related technology suppliers, and actively pursue retrofit and greenfield technology integration relationships with large Engineering, Procure and Contract (“EPC”) and OEM companies that can help HTC develop its CO₂ capture market world-wide. The licensing agreement for CCS technology reached with world leading power plant equipment supplier and power plant EPC constructors - Doosan Babcock 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.

Intensive and growing world-wide support for reduction of greenhouse gases and domestic energy security in United States and China continues to create opportunities for the Corporation to participate in a number of CO₂ capture and EOR projects.

Branding

HTC continues to actively promote the Corporation and its services at a variety of Canadian and International venues, where HTC’s message has been well received. HTC has taken advantage of this increasing climate change priority by building its brand awareness world-wide. This was accomplished by increased media exposure, key note speaking engagements at various trade shows and conferences and focusing on HTC’s relationship with the world renowned ITC for CO₂ capture.

HTC invite you to review the various Press Releases and News Express Releases. This material can be viewed on the Corporation’s web site at www.htcenergy.com/news.html

Hydrogen Generation Research and Development

The Corporation has completed a comprehensive FEED Study of the hydrogen production demonstration plant being set up at the ITC (“Hydrogen Demonstration Project”). The FEED Study was completed during the first quarter, and the Corporation is now looking to move on to the next phase of the project, which is to build the plant. When completed, the facility will demonstrate how the Corporation’s technology will allow users to produce hydrogen using reformation of methane and bio-based feedstocks, particularly pre-distilled ethanol and a bio-diesel by-product called glycerol. The technology has the potential to lower the cost of ethanol and bio-diesel production. The Corporation is targeting the industrial small to medium sized hydrogen market, as this product will reduce the high cost of hydrogen transportation due to its onsite generation capabilities. During the 2008 year the Corporation received part of the committed Federal and Provincial funding.

There are a number of competing technologies for the on-site manufacturing of hydrogen, none of which has been adopted as the “defacto leader” in on-site reformation. The Corporation believes its hydrogen production technologies have a competitive advantage due to simplicity of design, ease of delivery of hydrogen based on the existing natural gas network, advanced and improved catalysts, process CO₂ use/capture and scalability of the technology. The Hydrogen Demonstration Plant is expected to support management’s assertions about the Corporation’s advantage that has been demonstrated on the laboratory bench, and now can be proven out in a full scale commercial system.

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, in the Corporation to allow it to meet its ultimate commercialization objectives.

RISKS AND UNCERTAINTIES

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

SUMMARY OF CUMULATIVE QUARTERLY RESULTS

| In Canadian Dollars | 9 months ending Sept. 30, 2009 Unaudited | 9 months ending Sept. 30, 2008 Unaudited | 6 months ending June 30, 2009 Unaudited | 6 months ending June 30, 2008 Unaudited | 3 months ending March 31, 2009 Unaudited | 3 months ending March 31, 2008 Unaudited | Year ending Dec. 31, 2008 Audited | Year ending Dec. 31, 2007 Audited |
|--|--|--|---|---|--|--|-----------------------------------|-----------------------------------|
| Total Revenues | 485,810 | 2,979,023 | 462,830 | 2,565,026 | 100,231 | 427,297 | 4,597,576 | 270,841 |
| Income (Loss) from operations | (2,705,069) | 457,471 | (1,761,678) | 1,163,843 | (872,999) | (193,362) | 802,589 | (2,602,310) |
| Net Income (Loss) after unusual items and equity investments | (2,763,478) | 457,471 | (1,827,514) | 1,031,565 | (780,219) | (193,362) | (3,759,152) | 2,271,231 |
| Total Assets | 26,939,082 | 31,627,550 | 27,856,013 | 21,900,104 | 28,909,726 | 20,513,383 | 29,430,079 | 20,411,042 |
| Long Term Liabilities | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Shareholder Equity | 26,722,200 | 31,194,505 | 27,558,164 | 21,789,958 | 28,485,163 | 20,392,939 | 28,400,382 | 20,269,156 |
| Cash flow from Operations | (2,870,417) | 1,676,403 | (2,181,435) | (350,781) | (1,401,405) | (469,572) | 1,186,559 | (1,925,762) |
| Increase (decrease) in Cash | (41,890) | 1,058,440 | 94,975 | 632,283 | 225,236 | 506,160 | 63,528 | (301,959) |
| Net Income (Loss), on a per-share basis* | (.15) | .03 | (.10) | .07 | (.05) | (.01) | (.24) | .19 |
| Net Income (Loss), on a per-share basis diluted* | - | .03 | - | .06 | - | - | - | .15 |
| Weighted Average common shares | 17,628,337 | 14,474,193 | 16,921,339 | 13,590,216 | 16,101,321 | 12,846,411 | 15,324,378 | 12,062,669 |

* 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 of 17,628,337 as at September 30, 2009 (December 31, 2008 – 15,324,378) and fully diluted shares as at September 30, 2009 of 21,014,428 (December 31, 2008 – 18,710,469).

| | For the period ended Sept. 30, 2009 | For the year ended Dec. 31, 2008 |
|---|--|---|
| Net income (loss) per common share | \$(.15) | \$ (.24) |
| Net income (loss) per common share fully diluted | - | - |

Fully Diluted net loss per common share is not presented, for 2009 as the effect of common share options would be anti-dilutive.

REVENUES

For the nine months ended September 30, 2009 the Corporation had operating revenue of \$485,810 (2008 – \$2,979,023). Revenues for 2008 included a lump sum amount of \$2,017,260 relating to the completion of a multi year project.

INTEREST & OTHER INCOME

The Corporation recorded bank interest earned on short and long term investments and other income for the period of \$127,020 (2008 - \$117,292).

OPERATING EXPENSES

Commercialization, Product Development and Administrative expenses for the period were \$2,476,078 as compared to \$1,823,399 for the same period in the previous year. The increase in 2009 is primarily due to the costs associated with preparation of early FEED (Front End Engineering Design) deliverables, in anticipation of deliverables required for expected engineering services contracts in 2010. The increase is also attributable to a higher level of activity in respect to the use of outsourced services and overall expansion of operations and personnel to meet increasing commercial demand for HTC's process engineering packages. Also included in current year are one time moving costs.

Research and Development expenses for the period were \$428,619 as compared to \$133,948 for the same period in the previous year. These expenditures and costs represent HTC's on-going commitment to product development in conjunction with the University of Regina and are reflective of ongoing efforts in CO₂, hydrogen and bio-fuel.

A significant portion of expenses, in the amount of \$375,790, represents amortization of intangibles associated with the acquisitions of HTC Hydrogen Thermochem Corp.

("Thermochem") and BTC BioEnergy Technologies Corp. ("BTC"). The remaining amortization is attributable to operating assets.

OPERATING INCOME (LOSS)

For the period ended September 30, 2009 the Corporation had a loss of \$2,705,069 from operations as compared to a profit of \$589,749 from operations for the same period of the prior year. Income for 2008 included a lump sum amount of \$2,017,260 relating to the completion of a multi year project. The remaining changes in operations are primarily due to increase in operational levels as indicated above.

INCOME FROM EQUITY INVESTMENTS

Loss from equity investments in respect to the nine month period ending September 30, 2009 was \$58,409 after considering provision for tax and eliminating unrealized inter-corporate profits. The loss results from year end declarations of fees by Kingsteel Inc. for services rendered to its shareholders (HTC's portion being \$260,066 before adjustments required to eliminate inter-corporate profit.)

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Net loss for the period ending September 30, 2009 was \$2,763,478. This compares to a profit of \$457,471 in respect to the same period of the prior year. The income in respect to the 2008 year is reflective of the completion of a multiyear project described in the revenue commentary. The remaining changes in operations are primarily due to increase in operational levels as indicated above.

TOTAL ASSETS

Total assets were \$26,939,082 as at September 30, 2009, as compared to \$31,627,550 as at September 30, 2008. The decrease in total assets is largely attributable to disposition of 7.5 million common shares of EESTech.

Included in total assets for 2009 are short term investments totalling \$7,750,500 in term deposits and accrued interest compared with \$13,582,334 in the previous year. Also included are \$500,978 relating to amounts receivable for government participants in the Hydrogen Demonstration Project as compared to \$230,706 as at December 31, 2008.

CURRENT LIABILITIES

Current liabilities were \$316,882 as at September 30, 2009, as compared to \$433,045 as at September 30, 2008.

SHAREHOLDERS' EQUITY

As at September 30, 2009 shareholders' equity was \$26,622,200 as compared to \$31,194,505 as at September 30, 2008. Changes are due primarily to operating deficit for the period.

CASH FLOW

Cash flows from operating activities were \$(2,870,417) for the period, compared to \$1,676,403 for the same period ended September 30, 2008. The September 2008 amount being impacted by revenue from the completion of a multi year project (see discussion of operating revenues). The increased use of funds is a direct result of increased commercialization efforts and revenues derived in the period as well as a significant reduction (\$812,815) in account payable amounts since December 31, 2008.

CHANGE IN CASH POSITION

Changes in Cash position between September 30, 2009 and 2008 are largely attributable to ongoing commercialization of HTC CO₂ Product Offer and quarterly timing differences.

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 July 18, 2005 the Corporation entered into a Sponsors' Agreement with the University of Regina, in terms whereof the ITC provided 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. Agreement will expire in December 2009. HTC has started negotiations on a new agreement that will start January 1, 2010.

On May 30, 2003 the Corporation entered into a Collaborative Research Agreement for research, experimental development and licensing of Hydrogen Technologies developed at the UofR. This was amended by written agreement on June 1, 2006. In terms of the agreement, the Corporation sponsored 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, the Corporation supplied personal services of a research scientist, Thermochem made quarterly payments for consumables and equipment of approximately \$8,500 and BTC made quarterly payments of \$33,320 plus consumables to the University of Regina. The University of Regina and the Corporation further agreed to extend their previously signed Collaborative Research Agreement until May 31, 2008. Management has informed the University of Regina of its desire to continue its ongoing research and is negotiating to extend arrangements to June 2011.

The Corporation received the funding approval from the Government of Saskatchewan (\$1.4 million) and from Sustainable Development Technology Canada (\$1.09 million), for the financing of a new Hydrogen Demonstration Plant to be set up at the ITC, initially estimated at \$3.7 million. HTC, together with other consortium partners, will be responsible for the balance of the \$3.7 million in funding through cash and/or contributions of services or other in-kind contributions, as outlined in the applications. HTC's portion, based on the initial funding requirements, is currently estimated at approximately \$663,000 and will be incurred over the

duration of the project. A comprehensive FEED Study has recently been completed, that will allow for more technical and financial certainty as to the size of the facility location, structural requirements, the potential for other modifications to the project scope and to the initial plan and estimate.

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 shall be paid monthly on the 1st day of each and every month. In addition the Corporation is required to make monthly instalment payments of \$6,555 on account for their share of occupancy costs (adjusted annually).

CAPITAL RESOURCES

Share Capital

Authorized:

An unlimited number of common shares.

An unlimited number of preferred shares.

| | As at Sept. 30, 2009 | | As at Dec. 31, 2008 | |
|-----------------------------------|----------------------|---------------------|---------------------|---------------------|
| | Number | Amount | Number | Amount |
| Common Shares | | | | |
| Balance, | | | | |
| Beginning of year | 17,429,451 | \$35,266,918 | \$14,343,122 | \$23,376,540 |
| Issued under exercise of warrants | - | - | 115,079 | 345,237 |
| Issued under private placement | - | - | 30,000 | 144,000 |
| Issued under private placement | - | - | 2,500,000 | 9,636,141 |
| Issued under private placement | - | - | 78,750 | 315,000 |
| Issued under private placement | - | - | 362,500 | 1,450,000 |
| Issued to acquire Carbon Rx | 346,000 | 865,000 | - | - |
| Issued under private placement | 43,744 | 120,296 | - | - |
| Balance, end of period | 17,819,195 | \$36,252,214 | \$17,429,451 | \$35,266,918 |

On March 14, 2008, 105,715 warrants were exercised at a price of \$3.00 per common share resulting in gross proceeds of \$317,145. The remaining 45,715 warrants expired on March 15, 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 for total proceeds of \$345,237 for 115,079 common shares.

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.

On September 10, 2008, the Corporation issued 2,500,000 common shares at \$4.00 per common share, for gross proceeds of \$10,000,000 (net proceeds after costs \$9,636,141.00). The common shares issued are subject to a hold period under applicable securities law until January 11, 2009.

On September 22, 2008, the Corporation issued 78,750 common shares at \$4.00 per common share, for gross proceeds of \$315,000.00. The common shares issued were subject to a hold period under applicable securities law until January 23, 2009.

On November 12, 2008 the Corporation issued 362,500 shares at a value of \$4.00 per share in connection with the investment in Kingsteel Inc. The common shares issued were subject to a hold period under applicable securities law until March 13, 2009.

On March 10, 2009 the Corporation acquired all the issued and outstanding shares of Carbon Rx Inc. in exchange for 346,000 HTC common voting shares, valued at a deemed price of \$2.50 per common share. The common shares are 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 are subject to a hold period under Securities Laws until September 9, 2009

The Corporation considers its shareholders' equity as its 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. There is sufficient capital to sustain operations for several years. The Corporation remains active in its pursuit of strategic equity capital.

On September 4, 2009 the Corporation received \$100,000 towards the purchase of 40,000 common voting shares, subject to regulatory approval.

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, 2008 through September 30, 2009 and the weighted average exercise price:

| | 2009 | | 2008 | |
|---|----------------|-------------------|----------------|-------------------|
| | Options | Avg. Price | Options | Avg. Price |
| Outstanding, and exercisable, beginning of year | 3,386,091 | \$3.20 | 3,096,885 | \$2.93 |
| Warrants Exercised | - | - | (115,079) | 3.00 |
| Expired and cancelled (i,iii) | - | - | (45,715) | 3.00 |
| Stock options (iv) | - | - | 450,000 | 5.00 |
| Outstanding and exercisable, End of period | 3,386,091 | \$3.20 | 3,386,091 | \$3.20 |

- i. On April 10, 2006, 151,430 common shares were issued, including an option to acquire 151,430 additional common shares at \$5.00 USD per common share, expiring July 1, 2007. During the 2007 year, these terms were modified. Under the new terms, each warrant was 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 exceeded \$3.53 CDN. During the period, 105,715 warrants were exercised and 45,715 warrants expired.
- ii. 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.
- iii. 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. Each Broker Warrant now entitles the holder to acquire one Unit for \$2.20 at anytime until October 12, 2009. Each Unit consists 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.
- iv. On November 24, 2008, the Corporation granted 450,000 stock options (“**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.

OFF-BALANCE SHEET ARRANGEMENTS

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

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 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 dates. HTC accounts for these operations using the purchase method of consolidation. Transactions are summarized below:

| | Thermo-chem | BTC | Performance CO₂ | HTC International Inc. | EESTech Tech. Pty Ltd, (formerly CO₂ Tech. Pty Ltd) | Carbon Rx Inc. |
|------------------------------------|---------------------|------------------|-----------------------------------|-------------------------------|---|-----------------------|
| Acquisition date | Dec. 23, 2004 | Dec. 20, 2006 | Feb. 28, 2007 | Sep. 14, 2007 | Dec. 4, 2008 | Mar. 9, 2009 |
| Share valuation date | June. 24, 2004 | Aug. 22, 2006 | Feb. 28, 2007 | Agreed price | Dec. 4, 2008 | Mar 9, 2009 |
| Price per share (\$ (approximate)) | 4.30 | 1.36 | 2.63 | 2.23 | 0.12 | 2.50 |
| Number of shares | 2,313,568 | 591,500 | 190,000 | 40,123 | 10,000,000 | 346,000 |
| Purchase price | \$ 9,948,342 | \$803,595 | \$499,700 | \$89,474 | \$1,254,000 | \$865,000 |
| Acquisitions costs | 59,021 | | | | | |
| Costs of Acquisition | | | | | | |
| 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 | - | - |
| 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> |

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 Inc. has been adjusted.

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.

| | Sept 30, 2009 | Dec. 31, 2008 |
|--|---------------|---------------|
| Goodwill | \$3,465,099 | \$3,597,377 |
| Goodwill value adjustment | - | (132,278) |
| | 3,465,099 | 3,465,099 |
| Intangible Assets not subject to amortization (Plans, Designs, Agreements and Name Branding) | 3,699,159 | 2,834,159 |
| Intangible Assets subject to amortization (Contractual) | 5,344,504 | 5,344,504 |
| Amortization of Intangible Assets | (2,996,146) | (2,620,346) |
| | \$9,512,616 | \$9,023,416 |

As at the date of the Consolidated 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.

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:

| | Sept 30, 2009 | Dec. 31, 2008 |
|--------------------|---------------|---------------|
| Investment at cost | \$4,668,663 | 4,513,204 |
| Equity adjustments | (151,125) | 155,459 |
| | \$4,517,538 | 4,668,663 |

CHANGE IN ACCOUNTING PRINCIPLES

The Corporation did not implement any changes to accounting policies during the period.

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

Under standards introduced by the Canadian Institute of Chartered Accountants effective January 1, 2007, all financial instruments will be 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 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 loss 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 September 30, 2009 as fair value is not practically determinable.

The investment in Global Energy Inc. is classified as available for sale. As it is a US private company they remain recorded at cost and have not been adjusted to their fair value as at September 30, 2009 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 then 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 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 Pureenergy™ CO₂ carbon capture system. Costs accumulated to date are \$256,440. The Corporation also started capitalizing the costs of a Mixed Amine Solvent Reclaimer. Costs accumulated to date are \$168,474.

Expensed Research and Development Costs and Commercialization, Product Development General and Administration Expenses are included in the September 30, 2009 Unaudited Financial Statements. Total accumulated Research and Development costs expensed from December 23, 2004 to September 30, 2009 were \$1,696,169. 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

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 Consolidated Financial Statements included in the report of HTC Pureenergy Inc. for the period ended September 30, 2009 and 2008, 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, Consolidated Financial Statements, and attachments thereto for the period ended September 30, 2009 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.
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HTC PUREENERGY

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

The Interim Consolidated Financial Statements for the period ending September 30, 2009 have been prepared by Management in accordance with generally accepted accounting principals in Canada and have not been reviewed by HTC Pureenergy Inc.'s Auditor.

Lionel Kambeitz
Lionel Kambeitz
Chairman & CEO
November 30, 2009

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

| Period ended September 30, 2009 and Year ended December 31, 2008 | Sept. 30/09 (Unaudited) \$ | Dec. 31/08 (Audited) \$ |
|---|----------------------------------|-------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | 133,162 | 175,052 |
| Short Term Deposits | 7,750,500 | 10,632,601 |
| Accounts Receivable | 703,907 | 1,258,197 |
| Hydrogen Demo Project Receivable | 500,978 | 230,706 |
| Deposit (note 4) | 299,621 | - |
| Prepaid expense | 273,395 | 423,260 |
| | 9,661,563 | 12,719,816 |
| Property, plant and equipment (note 5) | 193,546 | 80,871 |
| Product Development (note 6) | 424,914 | 289,553 |
| Long-term investments (note 7) | 7,079,447 | 7,245,572 |
| Patents (note 8) | 66,996 | 70,851 |
| Goodwill and intangibles (note 3) | 9,512,616 | 9,023,416 |
| | 26,939,082 | 29,430,079 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 216,882 | 1,029,697 |
| Share Subscriptions (note 9) | 100,000 | - |
| | 316,882 | 1,029,697 |
| Shareholders' Equity: | | |
| Share capital (note 9) | 36,252,214 | 35,266,918 |
| Deficit | (9,630,014) | (6,866,536) |
| | 26,622,200 | 28,400,382 |
| | 26,939,082 | 29,430,079 |

Commitments (note 17)

See accompanying notes to Consolidated Financial Statements

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

| For the nine month period ended September 30, | 2009 | 2008 |
|--|--------------------|--------------------|
| | (Unaudited) | (Unaudited) |
| | \$ | \$ |
| Revenue: | | |
| Engineering, Process Design& Consulting | 485,810 | 2,979,023 |
| Expenses: | | |
| Commercialization, product development and Administration | 2,476,078 | 1,823,399 |
| Research and development | 428,619 | 133,948 |
| Amortization | 413,202 | 549,858 |
| | 3,317,899 | 2,507,205 |
| Income (Loss) from commercial operations | (2,832,089) | 471,818 |
| Other income: | | |
| Gain on sale of assets | - | 639 |
| Interest and other income | 127,020 | 117,292 |
| | 127,020 | 117,931 |
| Income (Loss) from operations | (2,705,069) | 589,749 |
| Write down of goodwill | - | (132,278) |
| Income (Loss) for the Period | (2,705,069) | 457,471 |
| Income from Equity Investments (net of tax) | (58,409) | - |
| Net Income (Loss) | (2,763,478) | 457,471 |
| Other Comprehensive Income | - | - |
| Comprehensive Income (Loss) | (2,763,478) | 457,471 |
| Deficit – Beginning of Period | (6,866,536) | (3,107,384) |
| Deficit – End of Period | (9,630,014) | (2,649,913) |

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 September 30, | 2009 (Unaudited) \$ | 2008 (Unaudited) \$ |
|--|---------------------------|---------------------------|
| Revenue: | | |
| Engineering, Process Design & Consulting | 22,980 | 413,997 |
| Expenses: | | |
| Commercialization, product development and Administration | 771,520 | 795,087 |
| Research and development | 153,504 | 40,378 |
| Amortization | 79,554 | 183,428 |
| | 1,004,578 | 1,018,893 |
| Income (Loss) from commercial operations | (981,598) | (604,896) |
| Other income: | | |
| Interest and other income | 38,207 | 30,802 |
| Income (Loss) from operations | (943,391) | (574,094) |
| Income (Loss) for the Period | (943,391) | (574,094) |
| Income from Equity Investments (net of tax) | 7,427 | - |
| Net Income (Loss) | (935,964) | (574,094) |
| Other Comprehensive Income | - | - |
| Comprehensive Income (Loss) | (935,964) | (574,094) |
| Deficit – Beginning of Period | (8,694,050) | (2,075,819) |
| Deficit – End of Period | (9,630,014) | (2,649,913) |

See accompanying notes to Consolidated Financial Statements

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

| For the nine month period ended Sept. 30, | 2009 | 2008 |
|--|--------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| | \$ | \$ |
| Cash Flows from Operating Activities: | | |
| Net Income (loss) | (2,763,478) | 457,471 |
| Items not affecting cash: | | |
| Amortization | 413,202 | 549,858 |
| Income from Equity Investment | 58,409 | - |
| Gain on sale of assets | - | (639) |
| Write down of Goodwill | - | 132,278 |
| Change in working capital other than cash | (578,550) | 537,435 |
| | - | |
| | (2,870,417) | 1,676,403 |
| Cash flows from investing activities: | | |
| Decrease (Increase) in short-term deposits | 2,882,101 | (8,882,334) |
| Decrease (Increase) on long-term investments | 107,716 | (2,002,782) |
| Purchase of equipment | (146,225) | (26,048) |
| Capitalized development | (135,361) | (174,677) |
| | 2,708,231 | (11,085,841) |
| Cash flows from financing activities: | | |
| Cash from issuance of share capital | 120,296 | 10,467,878 |
| Increase (Decrease) in cash | (41,890) | 1,058,440 |
| Cash and cash equivalents—Beginning of Period | 175,052 | 111,524 |
| Cash and Cash equivalents – End of Period | 133,162 | 1,169,964 |

See Accompanying notes to Consolidated Financial Statements

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

| For the three month period ended Sept. 30, | 2009 | 2008 |
|---|--------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| | \$ | \$ |
| Cash Flows from Operating Activities: | | |
| Net Income (loss) | (935,964) | (574,095) |
| Items not affecting cash: | | |
| Amortization | 79,554 | 183,428 |
| Income from Equity Investment | (7,427) | - |
| Change in working capital other than cash | 174,855 | 2,417,851 |
| | <u>(688,982)</u> | <u>2,027,184</u> |
| Cash flows from investing activities: | | |
| Decrease (Increase) in short-term deposits | 661,809 | (9,517,997) |
| Decrease (Increase) on long-term investments | (37,205) | (2,018,276) |
| Purchase of equipment | (24,084) | (4,479) |
| Capitalized development | (48,403) | (38,916) |
| | <u>552,117</u> | <u>(11,579,668)</u> |
| Cash flows from financing activities: | | |
| Cash from issuance of share capital | - | 9,978,641 |
| Increase (Decrease) in cash | (136,865) | 426,157 |
| Cash and cash equivalents—Beginning of Period | 270,027 | 743,807 |
| Cash and Cash equivalents – End of Period | <u>133,162</u> | <u>1,169,964</u> |

See Accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

1. 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 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., BTC BioEnergy Technologies Corp. (“BTC”), Performance CO₂ Integration Inc. (“Performance”), EESTech CO₂ Technologies Pty. Ltd. (CO₂) and Carbon Rx Inc. (Carbon Rx). The Corporation has accounted for the subsidiaries using the purchase 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 (CO₂, a wholly owned subsidiary until November 29, 2007 and re-acquired in December 2008). 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.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

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 and HTC's Mixed Amine Solvent Reclaimer 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 and any impairment is charged to earnings as identified.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

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 when on substantial completion of transactions and when transfer is effected 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 September 30, 2009 and Year ended December 31, 2008

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. 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 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. HTC accounts for these operations using the purchase method of consolidation. Transactions are summarized below:

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

3. Business acquisition (continued):

| | Thermo-chem | BTC | Performance CO ₂ | HTC International Inc. | EESTech Tech. Pty Ltd, (formerly CO ₂ Tech. Pty Ltd) | Carbon Rx Inc. |
|------------------------------------|---------------------|------------------|-----------------------------|------------------------|---|------------------|
| Acquisition date | Dec. 23, 2004 | Dec. 20, 2006 | Feb. 28, 2007 | Sep. 14, 2007 | Dec. 4, 2008 | Mar. 10, 2009 |
| Share valuation date | Jun. 24, 2004 | Aug. 22, 2006 | Feb. 28, 2007 | Agreed price | Dec. 4, 2008 | Mar. 9, 2009 |
| Price per share (\$ (approximate)) | 4.30 | 1.36 | 2.63 | 2.23 | 0.12 | 2.50 |
| Number of shares | 2,313,568 | 591,500 | 190,000 | 40,123 | 10,000,000 | 346,000 |
| Purchase price | \$ 9,948,342 | \$803,595 | \$499,700 | \$89,474 | \$1,254,000 | \$865,000 |
| Acquisitions costs | 59,021 | | | | | |
| Costs of Acquisition | | | | | | |
| 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 | - | - |
| 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> |

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 Inc. has been adjusted.

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.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

3. Business acquisition (continued):

| | Sept 30, 2009 | Dec. 31, 2008 |
|--|--------------------|--------------------|
| Goodwill | \$3,465,099 | \$3,597,377 |
| Goodwill value adjustment | 0 | (132,278) |
| | <u>3,465,099</u> | <u>3,465,099</u> |
| Intangible Assets not subject to amortization (Plans, Designs, Agreements and Name Branding) | 3,699,159 | 2,834,159 |
| Intangible Assets subject to amortization (Contractual) | 5,344,504 | 5,344,504 |
| Amortization of Intangible Assets | (2,996,146) | (2,620,346) |
| | <u>\$9,512,616</u> | <u>\$9,023,416</u> |

As at the date of the Consolidated 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 disclosed above.

4. Deposit

To facilitate CO₂ capture and CO₂ enhanced oil recovery project development HTC made a deposit towards a clean energy technology license relating to the development of Ultra Clean BTU Conversion facilities capable of converting petcoke and coal to low cost clean energy products including low cost pipeline quality synthetic natural gas.

5. Property, plant and equipment:

| As at September 30, 2009 | | Accumulated | Net Book |
|--------------------------|------------------|------------------|------------------|
| | Cost | Amortization | Value |
| Equipment | \$377,208 | \$271,324 | \$105,884 |
| Leasehold improvements | 58,551 | 16,912 | 41,639 |
| Vehicles | 73,565 | 27,542 | 46,023 |
| | <u>\$509,324</u> | <u>\$315,778</u> | <u>\$193,546</u> |

| As at December 31, 2008 | | Accumulated | Net Book |
|-------------------------|------------------|------------------|-----------------|
| | Cost | Amortization | Value |
| Equipment | \$317,360 | \$254,170 | \$63,190 |
| Leasehold improvements | 16,174 | 12,293 | 3,881 |
| Vehicles | 29,565 | 15,765 | 13,800 |
| | <u>\$363,099</u> | <u>\$282,228</u> | <u>\$80,871</u> |

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

6. Product Development

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

| | Sept 30, 2009 | Dec. 31, 2008 |
|-----------------------------------|------------------|------------------|
| CCS Pureenergy™ 1000 | \$256,440 | \$256,280 |
| HTC Mixed Amine Solvent Reclaimer | 168,474 | 33,273 |
| | <u>\$424,914</u> | <u>\$289,553</u> |

7. Long term investments:

| | Sept 30, 2009 | Dec. 31, 2008 |
|--|--------------------|--------------------|
| 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 1/06 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, The payments terms have been modified to require a minimum payment in respect to the year of \$15,000 the residual being due no later than April 1, 2016 | 187,658 | 202,657 |
| 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. Global Energy Inc. is 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 | 2,017,260 |
| Investment in Kingsteel Inc. represents 45% of the issued shares and is recorded using the equity method. | 4,517,537 | 4,668,663 |
| | <u>\$7,079,447</u> | <u>\$7,245,572</u> |

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

7. Long term investments (continued):

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:

| | Sept 30, 2009 | Dec. 31, 2008 |
|--------------------|---------------|---------------|
| Investment | \$4,668,663 | 4,513,204 |
| Equity adjustments | (151,126) | 155,459 |
| | \$4,517,537 | 4,668,663 |

8. Patents:

Patents are comprised of:

| | Sept 30, 2009 | Dec. 31, 2008 |
|---------------------------|---------------|---------------|
| Patent applications costs | \$ 77,094 | \$ 77,094 |
| Amortization of patents | 10,098 | 6,243 |
| | \$66,996 | \$70,851 |

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

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

9. Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

| | As at Sept 30, 2009 | | As at Dec. 31, 2008 | |
|---|---------------------|--------------|---------------------|--------------|
| | Number | Amount | Number | Amount |
| Common Shares | | | | |
| Balance, | | | | |
| Beginning of year | 17,429,451 | \$35,266,918 | \$14,343,122 | \$23,376,540 |
| Issued under exercise of stock options | - | - | 115,079 | 345,237 |
| Issued under private placement | - | - | 30,000 | 144,000 |
| Issued under private placement | - | - | 2,500,000 | 9,636,141 |
| Issued under private placement | - | - | 78,750 | 315,000 |
| Issued under private placement | - | - | 362,500 | 1,450,000 |
| Issued to acquire Carbon Rx Inc. (see note 3) | 346,000 | 865,000 | - | - |
| Issued under private placement | 43,744 | 120,296 | - | - |
| Balance, end of period | 17,819,195 | \$36,252,214 | \$17,429,451 | \$35,266,918 |

On March 14, 2008, 105,715 warrants were exercised at a price of \$3.00 per common share resulting in gross proceeds of \$317,145. The remaining warrants expired on March 15, 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 for total proceeds of \$345,237 for 115,079 common shares.

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.

On September 10, 2008, the Corporation issued 2,500,000 common shares at \$4.00 per common share, for gross proceeds of \$10,000,000 (net proceeds after costs \$9,636,141). The common shares issued are subject to a hold period under applicable securities law until January 11, 2009.

On September 22, 2008, the Corporation issued 78,750 common shares at \$4.00 per common share, for gross proceeds of \$315,000.00. The common shares issued are subject to a hold period under applicable securities law until January 23, 2009.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

9. Share capital (continued):

On November 12, 2008, the Corporation issued 362,500 common shares at \$4.00 per share in connection with the October 10, 2008 acquisition of Kingsteel Inc. The common shares are subject to a hold period until March 13, 2009.

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 are 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 are subject to a hold period under Securities Laws until September 9, 2009.

On September 30, 2009 the Corporation received \$100,000 towards the purchase of 40,000 common voting shares subject to regulatory approval.

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, 2008 through September 30, 2009 and the weighted average exercise price:

| | 2009 | | 2008 | |
|---|-----------|------------|-----------|------------|
| | Options | Avg. Price | Options | Avg. Price |
| Outstanding, and exercisable, beginning of year | 3,386,091 | \$3.20 | 3,096,885 | \$2.93 |
| Warrants Exercised (i, ii) | - | - | (115,079) | 3.00 |
| Expired and cancelled (i,iii) | - | - | (45,715) | 3.00 |
| Stock options (iv) | - | - | 450,000 | 5.00 |
| Outstanding and exercisable, End of period | 3,386,091 | \$3.20 | 3,386,091 | \$3.20 |

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

10. Stock options and warrants (continued):

- i. 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 2007, 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 2008, 105,715 warrants were exercised resulting in the issuance of 105,715 common shares and 45,715 warrants expired.
- ii. 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.
- iii. 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.
- iv. 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.

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, 2008 the Corporation’s tax position was as follows:

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

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, 2008 the Corporation had an anticipated balance of approximately \$293,662 of tax credits available to reduce future year taxes (expiring December 31, 2015 to 2028), 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, 2008 the Corporation has approximately \$1,629,322 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 \$2,719,955 of non-capital losses available at December 31, 2008 to reduce taxable income of future years. These losses expire in periods from 2008 to 2027. 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 \$164,257 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 \$894,587 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 ending September 30, 2009 of 17,628,337 (December 31, 2008 -15,324,378) and fully diluted shares during the period of 21,014,428 (December 31. 2008 -18,710,469).

| | For the period ended Sept 30, 2009 | For the year ended Dec. 31, 2008 |
|---|---------------------------------------|-------------------------------------|
| Net income (loss) per common share | \$ (.15) | \$ (.24) |
| Net income (loss) per common share Fully diluted | - | - |

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 September 30, 2009 and Year ended December 31, 2008

14. Supplemental cash flow information:

| | Sept 30, 2009 | Dec. 31, 2008 |
|--|---------------|---------------|
| Cash interest paid during the period | \$ 1,562 | \$ 1,272 |
| Cash interest received during the period | 127,020 | 222,549 |

15. 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.

16. Capital Disclosures:

The Corporation considers its shareholders equity as its 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.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended September 30, 2009 and Year ended December 31, 2008

17. Commitments:

On July 18, 2005 the Corporation entered into a Sponsors' Agreement with the University of Regina, in terms whereof the ITC provided 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. Agreement will expire in December 2009. HTC has started negotiations on a new agreement that will start January 1, 2010.

On May 30, 2003 the Corporation entered into a Collaborative Research Agreement for research, experimental development and licensing of Hydrogen Technologies developed at the U of R. This was amended by written agreement on June 1, 2006. In terms of the agreement, the Corporation sponsored 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, the Corporation supplied personal services of a research scientist, Thermochem made quarterly payments for consumables and equipment of approximately \$8,500 and BTC made quarterly payments of \$33,320 plus consumables to the University of Regina. The University of Regina and the Corporation further agreed to extend their previously signed Collaborative Research Agreement until May 31, 2008. Management has informed the University of Regina of its desire to continue its ongoing research and is negotiating to extend arrangements to June 2011.

The Corporation received the funding approval from the Government of Saskatchewan (\$1.4 million) and from Sustainable Development Technology Canada (\$1.09 million), for the financing of a new Hydrogen Demonstration Plant to be set up at the ITC, initially estimated at \$3.7 million. HTC, together with other consortium partners, will be responsible for the balance of the \$3.7 million in funding through cash and/or contributions of services or other in-kind contributions, as outlined in the applications. HTC's portion, based on the initial funding requirements, is currently estimated at approximately \$663,000 and will be incurred over the duration of the project. A comprehensive FEED Study has recently been completed, that will allow for more technical and financial certainty as to the size of the facility location, structural requirements, the potential for other modifications to the project scope and to the initial plan and estimate.

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 shall be paid monthly on the 1st day of each and every month. In addition the Corporation is required to make monthly instalment payments of \$6,555 on account for their share of occupancy costs (adjusted annually). Minimum monthly lease payments over the next five years are \$495,018.

Board of Directors & Senior Officers of the Corporation as at September 30, 2009

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 September 30, 2009: 17,819,195

Head office and Investor relations address:

HTC PUREENERGY

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

Asia Pacific:

NSW, Australia
Telephone: +61 4 1267 3215
Fax: +61 2 9905 9891

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

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.