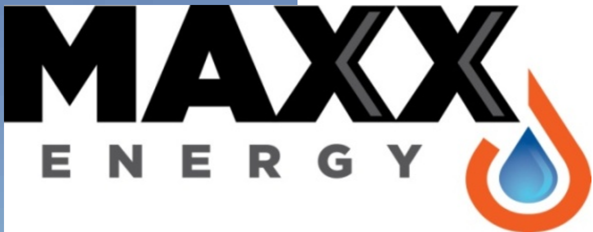
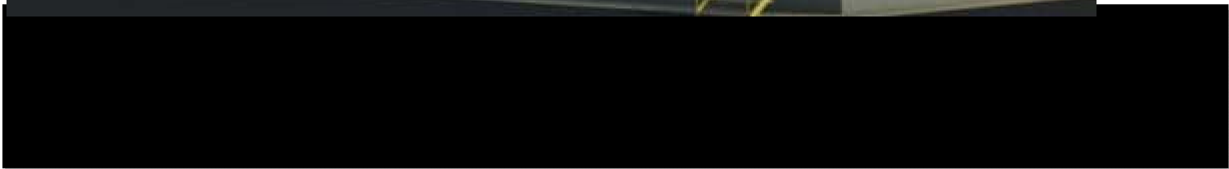
CONSOLIDATED FINANCIAL STATEMENTS

For the Year ending December 31, 2011





HTC PURENERGY INC.
'doing business as'
HTC PURENERGY

To the Shareholders of HTC Purenergy Inc.

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

The consolidated financial statements ("Consolidated Financial Statements") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis and reflect HTC Purenergy Inc. ("HTC" or the "Corporation") business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded. Management has concluded that the Corporation's system of internal control over financial reporting was effective as at December 31, 2011.

The board of directors annually appoints an audit committee which includes directors who are not employees of the Corporation. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the board of directors for formal approval.

Management has reviewed the filing of the Corporation's management discussion and analysis, Consolidated Financial Statements, and attachments thereto for the period ended December 31, 2011 attached hereto. Based on our knowledge, having exercised reasonable diligence, this filing does not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the period covered by this filing. Based on our knowledge, having exercised reasonable diligence, the condensed consolidated interim financial statements together with the other financial information included in this filing fairly present in all material respects the financial condition, the financial performance and cash flows of the Corporation, as of the date and for the periods presented in this filing.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
CHAIRMAN & CEO

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of HTC Purenergy Inc.:

Report on the financial statements

We have audited the accompanying consolidated financial statements of HTC Purenergy Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31 and January 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of HTC Purenergy Inc. as at December 31, 2011, December 31 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

/Continued page 4

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Emphasis of Matter

We draw attention to Note 2 to the financial statemetns which describes uncertainty about the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Other matters

The financial statements of HTC Purenergy Inc. for the years ended December 31, 2010 and 2009, reported in accordance with Canadian generally accepted accounting principles, were audited by another professional accounting firm who issued an unqualified opinion in their report dated April 28, 2011.

Thompson Penner & Lo LLP

Certified General Accountants

May 14, 2012
Calgary, Alberta, Canada

HTC PURENERGY INC.

Consolidated Statement of Financial Position

(In Canadian dollars)

	Note	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
ASSETS				
Current Assets:				
Cash		$ 1,933,464	-	-
Short term deposits	5	1,718	$ 3,704,723	6,966,165
Accounts receivable		1,864,685	1,824,259	450,387
Inventory		-	83,490	-
Prepaid expenses and other assets	6	418,373	789,884	466,680
		4,218,240	6,402,356	7,883,232
Property, plant and equipment	7	319,623	199,884	200,144
Product development	8	900,572	758,976	466,124
Investments	9	6,020,861	7,482,279	7,228,673
Patents	10	116,198	111,958	65,711
Goodwill and intangible assets	11	2,225,912	8,107,833	8,527,578
		$ 13,801,406	$ 23,063,286	24,371,462
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Bank overdraft		-	5,211	68,426
Accounts payable and accrued liabilities		247,108	274,475	441,427
		247,108	279,686	509,853
Shareholders' Equity:				
Share capital	12	36,542,214	36,542,214	36,542,214
Contributed Surplus	13	505,543	485,000	-
Retained deficit		(22,898,513)	(14,027,806)	(12,680,605)
Accumulated other comprehensive gain (loss)		(536,663)	(188,530)	-
Total equity attributable to shareholders of the Company		13,612,581	22,810,878	23,861,609
Total equity (deficit) attributable to non-controlling interest		(58,283)	(27,278)	-
Total equity		13,554,298	22,783,600	23,861,609
Total liabilities and equity		$ 13,801,406	$ 23,063,286	24,371,462
Commitments	21			

HTC PURENERGY INC.

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

For the year ended December 31	Note	2011	2010
Revenue:			
Engineering, process design & consulting		$ 2,163,799	$ 3,358,591
		2,163,799	3,358,591
Expenses:			
Engineering and process design services		931,675	1,642,541
Commercialization, product development and administration		3,018,981	2,111,952
Research and development		172,765	613,863
Amortization		439,332	491,456
		4,562,753	4,859,812
Loss from commercial operations		(2,398,954)	(1,501,221)
Other income (expense):			
Interest and other income		48,854	118,490
Dividend Income		-	319,938
Stock based compensation expense	13	(20,543)	(485,000)
Loss from operations		(2,370,643)	(1,547,793)
Adjustment to carrying value of intangible assets	11	(5,557,340)	-
Impairment in value of available for sale investment	9	(918,175)	-
Loss for the period before the following:		(8,846,158)	(1,547,793)
Income from equity investments (net of tax)		(132,129)	173,314
Net loss for the period		$(8,978,287)	$(1,374,479)
Loss for the period attributable to:			
Shareholders of the company		(8,870,707)	(1,347,201)
Non-controlling interest		(107,580)	(27,278)
Net loss for the period		$(8,978,287)	$(1,374,479)
Loss per share – basic and diluted		$(.49)	$ (.08)
Weighted Average shares outstanding			
Basic		17,959,195	17,959,195
Diluted		19,808,379	19,679,195

See accompanying notes to the Consolidated Financial Statements

HTC PURENERGY INC.

Consolidated Statements of Comprehensive Deficit

(In Canadian dollars)

For the year ended December 31	2011	2010
Net Loss	**$ (8,978,287)**	**$ (1,374,479)**
Unrealized loss on available for sale financial assets	(348,133)	(188,530)
Other comprehensive loss for year	(348,133)	(188,530)
Comprehensive net loss	**$ (9,326,420)**	**$ (1,563,009)**

Consolidated Statements of Accumulated Other Comprehensive Deficit

(In Canadian dollars)

For the year ended December 31	2011	2010
Balance, beginning of period	$ (188,530)	$ -
Other comprehensive loss	(348,133)	(188,530)
Balance, end of period	**$ (536,663)**	**$ (188,530)**

See accompanying notes to the Consolidated Financial Statements

HTC PURENERGY INC.

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

	Equity attributable to the shareholders						
	Number of Shares	**Share Capital**	**Contributed Surplus**	**Deficit**	**Other Comprehensive income**	**Non Controlling Interests**	**Total Equity**
Balance at January 1, 2009	**17,429,451**	**$35,266,918**	**-**	**$(6,866,536)**	**-**	**-**	**$28,400,382**
Shares issued	529,744	1,275,296	-	-	-	-	1,275,296
Total comprehensive income (loss) for the year	-	-	-	(5,814,069)	-	-	(5,814,069)
Fair value of warrants issued	-	-	-	-	-	-	-
Balance at January 1, 2010	**17,959,195**	**$ 36,542,214**	**-**	**$(12,680,605)**	**-**	**-**	**$ 23,861,609**
Shares issued	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	(1,347,201)	-	(27,278)	(1,374,479)
Fair value of warrants issued	-	-	485,000	-	(188,530)	-	485,000
Unrealized loss on available for sale financial assets							(188,530)
Balance at January 1, 2011	**17,959,195**	**$36,542,214**	**485,000**	**$(14,027,806)**	**(188,530)**	**(27,278)**	**$ 22,783,600**
Shares issued	-	-	-	-	-	76,575	76,575
Total income (loss) for the period	-	-	-	(8,870,707)	-	(107,580)	(8,978,287)
Fair value of warrants issued	-	-	20,543	-	-	-	20,543
Unrealized loss on available for sale financial assets	-	-	-	-	(348,133)	-	(348,133)
Balance at Dec. 31, 2011	**17,959,195**	**$ 36,542,214**	**505,543**	**$(22,898,513)**	**$(536,663)**	**$(58,283)**	**$13,554,298**

See accompanying notes to Consolidated Financial Statements

HTC PURENERGY INC.
Consolidated Statement of Cash Flows
(In Canadian dollars)

For the year ended Dec. 31	2011	2010
Cash Flows from Operating Activities:		
Net loss	$ (8,978,287)	(1,374,479)
Items not affecting cash:		
Amortization	439,332	491,456
Stock based compensation	20,543	485,000
Income from equity investments	132,129	(173,314)
(Gain) or Loss on sale of assets	88	(3,422)
Adjustment to carrying value of intangible assets	5,557,340	-
Impairment in value of available for sale investment	918,175	-
Change in working capital and other	387,208	(1,948,001)
	(1,523,472)	(2,522,760)
Cash flows from investing activities:		
Decrease in short-term deposits	3,703,005	3,261,442
Cash change in investments and loans	62,800	(268,338)
Purchase of equipment (net)	(198,813)	(53,642)
Legal costs on incorporation of subsidiaries	-	(8,096)
Capitalized development	(167,921)	(292,852)
Patents	(13,499)	(52,539)
	3,385,572	2,585,975
Cash flows from financing activities:		
Shares issued in Subsidiary	76,575	-
Increase (decrease) in cash during the period	1,938,675	63,215
Cash (bank overdraft) – beginning of period	(5,211)	(68,426)
Bank – end of period	$ 1,933,464	$ (5,211)

Included in operating activities		
Cash interest received	28,294	50,609

See accompanying notes to the Consolidated Financial Statements

HTC PURENERGY INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011 and 2010

1. Operations:

HTC Purenergy Inc. (“HTC” or “the Corporation”) is incorporated under the *Business Corporations Act* (Alberta) and is located at 2305 Victoria Avenue, Regina, Saskatchewan, Canada. These Consolidated Financial Statements include the accounts of the Corporation and its wholly owned subsidiary companies. All inter company profits and losses are eliminated on consolidation.

HTC and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to CO_2 capture, CO_2 and polymer enhanced oil recovery, CO_2 storage, and carbon credit origination, inventorying and monetization.

2. Basis of accounting

These financial statements are prepared using accounting principles and measurements that assume the reporting entity is a going concern. Because the Corporation is a development stage company, it has experienced significant operating losses in the current and previous years, and its ability to continue as a going concern is dependent on management’s ability to identify additional cash flows from capital investment or operations. With the share issuance for cash subsequent to year end, as described in Note 22, and the expected increase in the Corporation’s percentage ownership of its currently significantly influenced investment (Note 22), management believes that HTC has sufficient funds to continue operations for the next year.

3. Statement of compliance:

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

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

These statements are the Corporation’s first annual Consolidated Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. These Consolidated Financial Statements should be read in conjunction with the Corporation’s Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010.

Note 3, Statement of compliance (continued):

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

These Consolidated Financial Statements are based on IFRS issued and outstanding as of December 31, 2011.

These Consolidated Financial Statements were approved by the Corporation's Audit Committee on May 14, 2012.

b) IFRS Accounting Policies Comparison to Prior GAAP Policies:

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

This is consistent with prior GAAP policies.

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

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

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

This is consistent with prior GAAP policies.

Note 3, Statement of compliance (continued):

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

This is consistent with prior GAAP policies.

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

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

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

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

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

Note 3, Statement of compliance (continued):

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

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

Upon adoption of IFRS, the company determined that it had two cash generating units. This determination affected its approach to testing intangible and other long lived assets for possible impairment.

Receivables

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

GAAP policies were consistent.

Inventories

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

Note 3, Statement of compliance (continued):

Prepaid Expenses
The Corporation has classified various deposits and prepayments for goods and serves as prepaid expenses.

GAAP policies were consistent.

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

GAAP policies were consistent.

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

GAAP policies were similar and the application of the policies described above did not result in any restatement of prior year's fair value estimations.

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

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

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

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

GAAP policies were consistent.

Note 3, Statement of compliance (continued):

Property, Plant and Equipment

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

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

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

GAAP policies were similar and the application of the policies described above did not result in any restatement of prior years' measurement and reporting of property, plant and equipment.

Investments

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies. Investments in which the Corporation exercises significant influence (but does not control) are accounted for as investments in associates using the equity method. The proportionate share of any net income or losses from investments accounted for using the equity method, and any gain or loss on disposal, are recorded in profit or loss.

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

The fair value of investments designated as available-for-sale is recorded in the consolidated statements of financial position, with unrealized gains and losses, net

Note 3, Statement of compliance (continued):

of related income taxes, recorded in other comprehensive income. The cost of investments sold is based on the weighted average method. Realized gains and losses on these investments are removed from other comprehensive income and recorded in profit or loss. Where the fair value of financial assets that are equity instruments classified as available for sale is not determinable because there is no active market for the instrument, the asset is carried at cost and tested annually for impairment.

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

GAAP policies were consistent.

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

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

GAAP policies were consistent.

Intangible Assets
Intangible assets relate primarily patent rights associated with specific technologies as well as intangible assets acquired through business acquisition and qualifying product development.

GAAP policies were consistent.

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

Note 3, Statement of compliance (continued):

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

Leases

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

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

GAAP policies were consistent.

Engineering process design and consulting revenues

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

GAAP policies were consistent.

Functional presentation

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

Income Taxes

Taxes calculated and recognized at year end comprise current and deferred income tax. Taxation is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

Current income tax is generally the expected income tax payable on the taxable income for the year calculated using rates enacted or substantively enacted at the statement of financial position date, and includes any adjustment to income tax

Note 3, Statement of compliance (continued):

payable or recoverable in respect of previous years. The realized and unrealized excess tax benefit from share-based payment arrangements is recognized in equity. When an asset is transferred between enterprises within the consolidated group, the difference between the tax rates of the two entities is recognized in tax expense in the period in which the transfer occurs. Current tax payable by the transferor is recognized for any taxes payable in the current period, and a deferred tax asset is recognized by the transferee for any temporary difference.

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

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The tax effect of certain temporary differences is not recognized, principally with respect to temporary differences relating to investments in subsidiaries, jointly controlled entities and associates where the Corporation is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred income tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities. Deferred income tax assets are recognized only to the at extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are reviewed each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized.

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

Note 3, Statement of compliance (continued):

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

- The realized excess tax benefit from share-based payment arrangements was recognized as a reduction to tax expense.

- Uncertain income tax positions were accounted for using the standards applicable to contingent assets and contingent liabilities; i.e., liabilities were recorded when likely, and assets were recorded when realized.

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

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

GAAP policies were consistent.

Reportable Segments
The Corporation currently has only one reportable segment.

GAAP policies were consistent.

Changes resulting from the difference in this Canadian GAAP policy as compared to the corresponding policy under IFRS upon adoption of IFRS are described more fully in Note 20.

c) Basis of Measurement:
The Consolidated Financial Statements have been prepared on a historical cost basis except for the following items in the statement of financial position:

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

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

Note 3, Statement of compliance (continued):

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

d) Functional and Presentation Currency:
These Consolidated Financial Statements are presented in Canadian dollars which is the Corporation's functional currency.

e) Use of estimates and judgements:
The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Business combinations – The Corporation has applied the business combinations exemption in IFRS 1, to not apply IFRS "Business Combinations" ("**IFRS3**") retrospectively to past business combinations. Accordingly, the Corporation has not restated business combination that took place prior to the transition date.
Cash generating units – Upon adoption of IFRS, the Corporation examined its operations and defined two cash generating units, the firs being operations that are related to hydrogen related technology, and the second related to technology directed to the capture and sequestration of carbon dioxide. Determination of the separate cash generating units upon adoption of IFRS affected the Corporation's impairment testing of intangible and other long lived assets, but did not result in any restatement of prior years' impairment testing results.

Use of estimates – Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next three months are associated with the portfolio investments which are adjusted to market see note 8.

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

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

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and in preparing the opening

Note 4 Significant accounting policies (continued):

IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

Basis of Consolidation

a) Business combinations

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

b) Subsidiaries

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

c) Transactions eliminated on consolidation

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

The 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 CO_2 Integration Inc. ("**Performance**"), CO_2 Technologies Pty. Ltd. ("**CO2**"), Carbon Rx Inc. ("**CRX**"), Carbon Capital Management Inc. ("**CCM**"), EHR Enhanced Hydrocarbon Recovery Inc. ("**EHR**") and C-Green Carbon Management Solutions Inc. The Corporation has accounted for the business combinations using the acquisition method of accounting.

Significant influence investments

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

Foreign currency translation

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

Note 4 Significant accounting policies (continued):

exchange rate at the transaction date. Revenues and expenses are translated using the average exchange rate in effect for the period.

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

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

Property, plant and equipment
Property plant and equipment is recorded at cost and depreciated over its useful life at rates of 30% on a declining balance basis except for leasehold improvements (amortized on a straight line basis over three years) and petroleum property leases (amortization has not commenced). The amortization period requires estimation of the useful life of the asset and its salvage and residual value. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Financial instruments
The Corporation classifies its financial instruments into one of the following categories: held for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments in which case the transaction costs are expensed as incurred. Measurement in subsequent periods is based on the classification of the financial instrument.

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

Note 4 Significant accounting policies (continued):

Patents
Costs associated with registration of patents are accumulated at cost and when registration is complete amortized on a straight line basis over 15 years. Patents are evaluated for impairment annually and any impairment is charged to earnings as identified.

Intangible assets
Identifiable intangible assets acquired through acquisitions that are subject to amortization are amortized using the straight-line method over their estimated useful lives of 4 to 20 years.

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

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

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

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

An impairment loss, if any, is recognized to the extent that the carrying amount of goodwill exceeds its estimated market value. As at December 31, 2011, the date of the last impairment test, goodwill was considered to be impaired (see note 11) and has been written off. As documented in "Measurement Uncertainty" below, the impairment test of goodwill involves significant estimates and judgement based on the information available to management at the date of the impairment test. Should

Note 4 Significant accounting policies (continued):

these assumptions and estimates be incorrect, the carrying value of goodwill may differ from the amount recorded by a material amount.

Stock-based compensation
The Corporation used the fair-value based method of accounting for share-based compensation for all awards of share options granted. The fair value at the grant date of share options is calculated using the Black-Scholes valuation method. Compensation expense is charged to net income over the vesting period with a corresponding increase to contributed surplus.

The Corporation issues shares and share options under its share-based compensation plans as described in Note 13. Any consideration paid by directors, consultants and employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

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

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

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

The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those

Note 4 Significant accounting policies (continued):

temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are evaluated and if realization is not considered "more likely than not" a valuation allowance is provided.

Measurement uncertainty

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

Significant items subject to estimates and assumptions include the carrying amounts of goodwill and intangible assets, product development, underlying estimations of useful lives of depreciable assets, capitalization of interest, the carrying amounts of accounts receivable, investments, fair value of financial instruments, and environmental remediation and contingent liabilities, if any.

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

Changes to accounting policies and future changes to accounting standards

i. Adoption of IFRS

The AcSB has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, Financial statements and supporting notes have been prepared in accordance with the provisions of IFRS as of December 31, 2011.

ii. Changing IFRS standard

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

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued guidance establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 (which supersedes IAS 27 and

Note 4 Significant accounting policies (continued):

Standing Interpretations Committee ("**SIC**") 12) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is to be applied retrospectively, in most circumstances, and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its Consolidated Financial Statements.

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

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

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

5. Short term deposits:

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

6. Prepaid expenses and other assets:

Prepaid expenses and other assets included the following:

On August 25, 2010 the Corporation placed in trust a $304,398 deposit towards the acquisition of a company associated with carbon capture arbitrage, of which $250,000 is refundable. The refundable amount has now been received.

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

7. Property, plant and equipment:

	Equipment	Leaseholds	Vehicles	Petroelum property leases	Total
Carrying amount December 31, 2010	$ 126,043	$ 28,336	$ 45,505	$ -	$ 199,884
Additions	21,671	34,737	3,150	140,899	200,457
Disposals	(2,155)	(28,336)	-	-	(30,491)
Amortization	(37,380)	(923)	(11,924)	-	(50,227)
Carrying amount December 31, 2011	$ 108,179	$ 33,814	$ 36,731	$ 140,899	$ 319,623
Balance At December 31, 2011 is comprised of					
Cost	$ 460,780	$ 34,737	$ 86,492	$ 140,899	$ 722,908
Accumulated Amortization	352,601	923	49,761	-	403,285
Carrying amount	$ 108,179	$ 33,814	$ 36,731	$ 140,899	$ 319,623
Carrying amount January 1, 2010	$ 119,091	$ 38,397	$ 42,656	$ -	$ 200,144
Additions	42,346		16,198	-	58,544
Disposals	-		(6,421)	-	(6,421)
Amortization	(35,394)	(10,061)	(6,928)	-	(52,383)
Carrying amount December 31, 2010	$ 126,043	$ 28,336	$ 45,505	$ -	$ 199,884
Balance At December 31, 2010 is comprised of					
Cost	$ 441,264	$ 58,551	$ 83,342	$ -	$ 583,157
Accumulated Amortization	315,221	30,215	37,837	-	383,273
Carrying amount	$ 126,043	$ 28,336	$ 45,505	$ -	$ 199,884
Balance At January 1, 2010 is comprised of					
Cost	$ 398,918	$ 58,551	$ 73,565	$ -	$ 531,034
Accumulated Amortization	279,827	20,154	30,909	-	330,890
Carrying amount	$ 119,091	$ 38,397	$ 42,656	$ -	$ 200,144

8. Product development:

Product development costs represent costs incurred to date in connection with the design and construction of the CCS Purenergy® 1000, the HTC Solvent Reclaimer System ("**SRS**"), the CCS FEEDengine® and the EHR Rising Bubble Apparatus. Amortization of these costs commence once the development is substantially complete.

		Dec. 31, 2011		Dec. 31, 2010
CCS Purenergy® 1000	$	426,385	$	370,360
Amortization		(21,673)		-
		404,712		370,360
HTC SRS		290,219		217,033
CCS FEEDengine®		186,092		162,783
Amortization		(4,652)		-
		181,440		162,783
EHR Rising Bubble Apparatus		24,201		8,800
	$	900,572	$	758,976

On July 1, 2011, the Corporation commenced amortization of the CCS Purenergy® 1000 on a straight-line basis over 10 years as the development stage was substantial complete. Also, on October 1, 2011, the Corporation commenced amortization of the CCS Feed Engine.

9. Investments:

	Dec. 31, 2011	Dec. 31, 2010
Equity Investments		
Maxx Energy Solutions Corp. (a)	4,708,252	4,840,078
	4,708,252	4,840,078
Portfolio Investments		
Share investments – Available-for-sale – cost (b)	1,099,085	2,337,682
Share investments – Available-for-sale (c)	96,805	125,000
	1,195,890	2,462,682
Notes and Loans Receivable		
Notes receivable – non interest bearing without set terms	23,062	35,862
Loans receivable – interest bearing at 1%, due April 1, 2016	93,657	143,657
	116,719	179,519
Investments – Total	**$ 6,020,861**	**$ 7,482,279**

a) The Corporation has a 45% voting interest in Maxx Energy Solutions Corp. ("**Maxx**"), and accounts for its investment using the equity method. For the period ending December 31, 2011 the Corporation recorded $(132,129) of equity earnings from its investment in Maxx (2010 - $173,314). The equity earnings have been

added to the carrying value of the investment.

b) The Corporation holds 10,000 common shares of Global Energy Inc., a private US corporation. The investment has been classified as available-for-sale at cost, as there is no quoted active market for these securities. Based on available information obtained during 2011 and 2012, Management has determined that an adjustment to the carrying value of this asset is appropriate and accordingly reduced the carrying amount by 918,175.

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

c) On December 4, 2008 HTC acquired 2,500,000 shares in EESTech Inc. Upon expiry of trading restrictions in 2010 the Corporation has classified these shares as available–for-sale at fair value through comprehensive income. The shares have been recorded at their trading price at December 31, 2011 based on December 31, 2011 quoted prices obtained from over the counter exchanges.

   During the period ending December 31, 2011 100,000 common shares in USA Synthetic Fuel Corporation have been transferred from available for sale at cost and have been recorded at their trading price at December 31, 2011 based on December 31, 2011, quoted prices obtained from over the counter exchanges.

10. Patents:

	Cost	Accumulated amortization	Net book value
January 1, 2010	$ 77,094	$ 11,383	$ 65,711
Additions	52,539		52,539
Amortization		6,292	(6,292)
Carrying value, December 31, 2010	129,633	17,675	111,958
Additions	13,499		13,499
Amortization		9,259	(9,259)
Carrying value, December 31, 2011	$ 143,132	$ 26,934	$ 116,198

11. Goodwill and Intangible Assets:

	Dec. 31, 2011	Dec. 31, 2010
Goodwill	$ 3,678,195	$ 3,678,195
Write down of goodwill	(3,678,195)	-
Intangible assets subject to amortization	7,978,564	7,978,564
Write down intangible assets	(1,879,145)	-
Amortization of intangible assets	(3,873,507)	(3,548,926)
Ending balance – goodwill and intangibles	$ 2,225,912	$ 8,107,833

Management performed an analysis of the carrying value of its goodwill and intangible assets as at December 31, 2009 and 2010, according to its policy as set out in Note 4. Based on management's forecasted cash flows, including consideration of risks inherent therein, the Corporation has concluded that there was no requirement for adjustment to the carrying value of goodwill or intangible assets at the date of these Consolidated Financial Statements. This assessment is subject to the estimates and measurement uncertainty as disclosed elsewhere in these Consolidated Financial Statements. In respect to the 2011 year Management again evaluated goodwill and intangibles under the same criteria but adjusting for operational, legislative and business conditions that changed during the year. As a result of these changes in circumstances, certain research and development activities being conducted by a subsidiary were suspended. Therefore management re-evaluated its position on the value of goodwill and intangibles that were recognized when the subsidiary was acquired, and has recognized an impairment loss equal to the carrying value of the goodwill. The remaining balance reflects the intangibles relating to the cash generating units that the Corporation will be moving forward with and are believed be of ongoing value.

Goodwill and intangible assets were recorded on acquisition of the subsidiaries. IFRS requires identifiable intangible assets that meet recognition criteria be identified, valued and disclosed separately from goodwill. Items giving rise to intangibles and related goodwill include, but are not limited to: intellectual property

(i.e. rights to provisional patents, technology rights software rights), contractual rights with advantageous conditions, human resources (i.e. research teams, project management, patent resources), and branding and name recognition related items (literature, data base, videos, domain names, etc) as well as various other items. Goodwill comprises the difference between the purchase price of the respective subsidiary and identifiable net tangible and intangible assets.

12. Share capital:

At December 31, 2011 and 2010, the Corporation has authorized an unlimited number of common shares and an unlimited number of preferred shares.

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

Balance, end of period	17,959,195	$36,542,214	17,959,195	$36,542,214

The Corporation has no issued or outstanding preferred shares. The Corporation is authorized to issue one or more series of non-voting, participating in preference to common shares, eligible, preferred shares.

13. Contributed surplus (stock options):

The Corporation has a stock option plan for directors, officers, employees and consultants providing for the issuance of options to acquire up to ten percent of the issued and outstanding common shares of the Corporation. The following table reflects the stock option and warrants activity from January 1, 2010 through December 31, 2011 and the weighted average exercise price:

	As at Dec. 31, 2011		As at Dec. 31, 2010	
	Options	**Avg. Price**	**Options**	**Avg. Price**
Outstanding, and exercisable, beginning of period	1,720,000	$ 2.13	3,267,909	$ 3.26
Expired and cancelled (i)	(1,520,000)	1.78	(2,717,909)	3.00
Stock options granted (ii)	50,000	1.00	1,340,000	1.00
Stock options granted (ii)	1,599,184	.50		
Stock options not yet vested (ii)		1.00	(170,000)	1.00
Outstanding and exercisable, end of period	1,849,184	$ 1.00	1,720,000	$ 2.13

i. In 2010 2,717,909 warrants expired, relating to a 2007 issuance of units, which were exercisable at $3.00 per common share.

   On August 7, 2011, the Corporation cancelled 300,000 stock options granted on November 24, 2008.

ii. On June 14, 2010 the Corporation granted 1,340,000 stock options to four directors and an officer of the Corporation, at a price of $1.00 per common share with 1,170,000 options vesting in 2010, and with 100,000 and 70,000 vesting in 2011 and 2012 respectively, with an estimated fair value of $538,000 at the grant date. During the period ending June 30, 2011, an additional 50,000 options vested. The stock options were cancelled on August 7, 2011.

   On August 9, 2011, the Corporation granted 1,599,184 stock options at an exercise price of $0.50. The stock options will expire on August 9, 2021 or such earlier date on which the stock options are exercised. The grant and the terms and conditions of the stock option agreements were approved by the board of directors of HTC and the TSX Venture Exchange Inc.

The Black Scholes Option Pricing Model is used to estimate the fair value of stock options for calculating stock based compensation expense. The Corporation recognized a stock based compensation expense and an increase to contributed

surplus based on the vesting schedule of the option, based on the following assumptions:

Date Granted	August 9,2011	June 14, 2010
Number of options granted	1,599,184	1,340,000
Risk free interest rate	3	3.4%
Expected dividend yield	Nil	Nil
Expected stock price volatility	80%	82.7%
Expected option life in years	10	5
Estimated forfeiture before exercise	Unknown	100,000

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Change in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's stock options.

The total fair value of stock based compensation expense on stock options granted to directors, employees and consultants of the Corporation for the period ended December 31, 2011 is $505,543 (2010 - $485,000) relating to the issuance of June 14, 2010. The August 9, 2011 issuance is currently being considered as a replacement for the June 14, 2011 issuance with modified terms in accordance with the provisions of IFRS 2. As the fair market value estimate associated with the new issuance is lower than that of the issuance it replaces no provision has been made to reduce amounts already recorded.

14. Financial instruments:

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

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

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

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices);

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation categorized the fair value measurement of its short-term deposits, and available-for-sale investments recorded at fair value, and bank overdraft in Level 1 as they are primarily derived directly from reference to quoted (unadjusted) prices in over the counter markets.

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

	2011			
	Level 1	Level 2	Level 3	Total
Short term deposits	$1,718	$ -	$ -	$1,718
Available for sale investments – fair value	96,805	-	-	96,805
Bank	1,933,464	-	-	1,933,464
	$2,031,987	$ -	$ -	$2,031,987

	2010			
	Level 1	Level 2	Level 3	Total
Short term deposits	$3,704,723	$ -	$ -	$3,704,723
Available for sale investments – fair value	125,000	-	-	125,000
Bank overdraft	(5,211)	-	-	(5,211)
	$3,824,512	$ -	$ -	$3,824,512

15. Provision for income taxes:

Income tax provision (recovery) differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rate of 28.5% (2010 – 30%) for the following reasons:

As at December 31	**2011**	**2010**
Computed income tax provision (recovery)	$(713,290)	$(412,300)
Increase (Reduction) attributable to:		
Equity income	37,657	(52,000)
Impairment adjustment	-	-
Stock based compensation	5,855	145,500
Acquisition related amortization and other permanent differences	92,606	128,400
Other items	(4,104)	(4,300)
	(581,276)	(194,700)
Adjustment of net future tax assets for enacted changes in tax laws and rates and other differences:		
Utilization of non-capital loss carry forward	(29,301)	(27,700)
Change in valuation allowance	610,577	222,400
	$ -	$ -

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, 2011 the Corporation had an anticipated balance of approximately $368,400 of tax credits available to reduce future year taxes (expiring December 31, 2015 to 2031). The amounts of tax credits ultimately received by the Corporation are subject to review by the Canada Revenue Agency and the Saskatchewan Minister of Finance for technical and financial aspects of the tax credit claims.

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, 2011 the Corporation has approximately $2,264,667of 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 $9,205,340 of non-capital losses available at December 31, 2011 to reduce taxable income of future years. These losses expire in periods from 2014 to 2031. 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 $122,641 available to reduce future year’s taxes. In addition, the Corporation has capitalized $1,083,200 of share issuances costs which are deductible for tax purposes on straight-line basis over 5 years of which $229,000 is available for future years.

16. Per share amounts:

Basic net earnings (loss) per common share have been calculated using the weighted average number of common shares outstanding during the period. Diluted net loss per common share is considered to equal basic earnings per share, as the effect of common share options would be anti-dilutive.

17. Related party transactions:

Related party transactions include management fees received from the Corporation’s equity accounted investee, and transactions with corporate investors who have representation on the Corporation’s board. The revenue and costs recognized with such parties reflect the prices and terms of sales and purchase of transactions with related parties in accordance with normal trade practices.

	Dec. 31, 2011	**Dec. 31, 2010**
Balance with related Parties:		
Accounts Receivable	1,517,231	1,318,132
Accounts Payable	1,100	-

Transactions with related parties:		
Consulting revenue – equity investee	930,600	411,750
Subcontract revenue (a)	615,454	1,570,817
Misc Revenue	8,159	-
Purchases – equity investee	12,899	4,507

a. Subcontract revenue relates to engineering services and CO_2 capture feed studies provided by the Corporation to Doosan Babcock, who is considered a related party due to representation on the Corporation's board.

The transactions were conducted in the normal course of business.

Compensation

The key management personnel of the Corporation consists of the executive officers, vice-presidents, other senior managers and members of the board of directors. Key management personnel also includes those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Compensation for the Period was $502,533 (December 31, 2011) and $462,906 (December 31, 2010). In addition to their salaries, senior

management and directors also participate in the Corporation's share-based compensation plans (see note 13 to the Corporation's Consolidated Financial Statements for the period ended December 31, 2011).

The Corporation has employment agreements with its Chairman and CEO, and with its Sr. Vice-President and CFO. Compensation is paid in accordance with the remuneration package agreed upon by the Corporation's Compensation Committee and the individuals respectively. This remuneration package is subject to periodic review and adjustment by the Compensation Committee, based on performance.

The terms of the agreement for the Chairman and CEO state that he shall receive upon termination of employment or in the event of a change of control, the equivalent of thirty six months, plus one month for every year of service to a maximum of forty eight months, in total compensation. The terms of the agreement for the Sr. Vice-President and CFO state that he shall receive upon termination of employment or in the event of a change of control, the equivalent of twenty four, plus one month for every year of service to a maximum of thirty six months, in total compensation. The total compensation is calculated using the average for the twelve months prior to termination or change of control, alternatively the average since January 1, 2008, whichever amount is greater. This total compensation includes all benefits.

18. Financial risk management:

Management's risk management policies are typically performed as a part of the overall management of the Corporation's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Corporation is exposed to a number of risks that can affect its operating performance. Management's close

involvement in operations helps identify risks and variations from expectations. The Corporation has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Corporation, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The Corporation's main sources of liquidity are its operations and equity financing. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Corporation's financial obligations associates with financial liabilities.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation has no significant transactions denominated in foreign currency and is not exposed to any material foreign currency risk aside from broad unquantifiable macro-economic factors arising from fluctuations in foreign exchange which could result in Canadian products becoming more expensive to international purchasers.

Foreign exchange risk is primarily associated with contracts for services and contracts of supplies and services. Substantially all of the Corporation's revenues and expenses are denominated in Canadian dollars, and therefore is isolated from foreign exchange risk.

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and term deposits. The Corporation mitigates exposure by attempting to match rates and terms to expected cash requirements, and through having the majority of its revenues and expenses denominated in Canadian dollars. A 1% change in the prime interest rate would have a negligible impact on the Corporation's income.

Credit risk is the risk of financial loss if a counterparty to a financial transaction fails to meet its obligations. The Corporation attempts to reduce such exposure to its cash, and short term deposits by only investing in low risk investments with Canadian Chartered Banks and taking advantage of government guarantees. The Corporation attempts to reduce its loss on amounts receivable by assessing the ability of the counterparties to fulfill their obligation under contract prior to entering into the contracts and by the nature of customers the Corporation deals with. There have been no significant impairment losses recorded on accounts receivable.

Due to project nature of operations of the Corporation, management considers accounts receivable outstanding less than 90 days to be current. The aging of the Corporation's accounts receivable at December 31, 2011 is as follows:

	Current	**Over 90 Days**	**Total**
Aging of accounts receivable at December 31, 2011	$ 932,206	$ 932,479	**$ 1,864,685**
Aging of accounts receivable at December 31, 2010	$ 1,388,628	$ 435,631	**$ 1,824,259**

19. Capital Disclosures:

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

The Corporation's objectives when managing capital are to:

- maintain financial flexibility in order to preserve its ability to meet financial obligations;
- deploy capital to provide an appropriate investment return to its shareholders in the future; and
- maintain a capital structure that allows multiple financing options to the company should a financing need arise.

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In

order to maintain or adjust its capital structure, the Corporation may issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

20. Transition to IFRS

The Corporation adopted IFRS on January 1, 2011 with effect from January 1, 2010. The Corporation's financial statements for the year ending December 31, 2011 will be the first annual consolidated financial statements that comply with IFRS.
These Consolidated Financial Statements have been prepared in accordance with the accounting policies as described in Note 4 of the Corporation's consolidated financial statements for the year ended December 31, 2011. In accordance with IFRS 1 the Corporation has applied certain optional and mandatory exemptions applicable for first time adopters which are described in this note . The Corporation also identified certain accounting differences between Canadian GAAP and IFRS. The following are explanations and reconciliations of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position and financial performance.

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

IFRS 1 Exemption Options:

Business Combinations

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

Policy selection: If the elective exemption is chosen, specific requirements must be met, such as maintaining the classification of the acquirer and the acquiree, recognizing or derecognizing certain acquired assets or liabilities as required under IFRS and remeasuring certain assets and liabilities at fair value. The Corporation will

elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated.

Expected transition impact: None.

Expected future impact: None.

Property, Plant and Equipment

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

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

Expected transition impact: None.

Expected future impact: None.

Share-based Payments

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

Policy selection: The Corporation will elect not to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before its date of transition to IFRS. The Corporation will also elect not to apply IFRS 2 to liabilities

arising from share-based payment transactions which settled before the date of transition to IFRS.

Expected transition impact: None.

Expected future impact: None.

Foreign Exchange

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

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

Expected transition impact: None.

Expected future impact: None.

IFRS 1 Mandatory Exceptions:

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

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

Changes in Accounting Policies

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

(a) Impairment of Assets

Choices: There are no policy choices available under IFRS. Differences from previous Canadian GAAP: IAS 36, "Impairment of Assets", uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Canadian GAAP generally used a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. This difference may potentially result in more impairments where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow

basis, but could not be supported on a discounted cash flow basis. In addition, IAS 36 requires the reversal of any previous impairment losses (to the amounts the assets would now be carried at had depreciation continued) where circumstances have changed such that the impairments have been reduced.

Canadian GAAP prohibited reversal of impairment losses.

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

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

(b) Share-Based Payments

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

Expected transition impact: None

Expected future impact: Note determinable.

(c) Income Taxes

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

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

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

Under IFRS, adjustments relating to a change in tax rates are recognized in the same category of comprehensive income in which the original amounts were recognized. Under Canadian GAAP, such adjustments were recognized in net income, regardless of the category in which the original amounts were recognized. In addition, foreign exchange gains on deferred income tax liabilities would be recorded

in other comprehensive income under IFRS, but were recorded in net income under Canadian GAAP. As there is no change to the loss position, the impact of this timing difference will not result in any changes at transition

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

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

Expected future impact: Note determinable.

(d) Consolidation

Choices: There are no policy choices available under IFRS.

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

Expected transition impact: None.

Expected future impact: None.

(e) Property, Plant and Equipment

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

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

Differences from previous Canadian GAAP: Under IFRS, where part of an item of property, plant and equipment has a cost that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item. Canadian GAAP was similar in this respect; however, the componentization concept was not often applied to the same extent due to practicality and/or materiality. Under IFRS, the cost of major overhauls on items of property, plant and

equipment is capitalized as a component of the related item of property, plant and equipment and amortized over the period until the next major overhaul. Under Canadian GAAP, these costs were expensed in the year incurred.

Expected transition impact: None

Expected future impact: None

(f) Inventories

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

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

Differences from previous Canadian GAAP: None

Expected transition impact: None

Expected future impact: None

(g) Financial Instruments

Choices: Trade date or settlement date can be used.

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

Differences from previous Canadian GAAP: None.

Expected transition impact: None.

Expected future impact: None.

(h) Statement of Cash Flows

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

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

Differences from previous Canadian GAAP: None.

Expected transition impact: None.

Expected future impact: None.

(i) Investments

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

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

Differences from previous Canadian GAAP: None

Expected transition impact: None

Expected future impact: None

Reconciliation of GAAP to IFRS

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

In respect to the 2010 period $1,642,541 was reclassified from commercialization products development and administration and recorded as engineering and process design services.

21. Commitments:

On November 20, 2011 the Corporation terminated its office lease space for $31,363. On November 15, 2011, the Corporation relocated its offices and is in negotiation for new lease agreement terms, which are not determinable at this time. Base rent is anticipated to be approximately $42,000 per annum.

22. Subsequent Events

On January 1, 2011, the Corporation entered into an agreement to acquire an additional 20% of the issued shares of Maxx Energy Solutions Corp for consideration of $2,000,000

On April 11, 2012 the Corporation issued 4,500,000 common shares pursuant to a private placement at a price of $0.279 per share, for the gross proceeds of

$1,255,500.00. The securities issued are subject to a hold period under applicable securities law until August 12, 2012.

On April 19, 2012, the Corporation announced conditional upon TSX Venture Exchange Inc. approval and shareholders' approval, the Corporation will issue 4,350,000 units ("Units") for a price of $0.12 per Unit resulting in gross proceeds of $522,000.00. Each Unit will be comprised of one common share ("Common Share") and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional Common Share at a price of $0.16 per Common Share for a period of 5 years after issuance. Two directors, two officers and one employee of the Corporation will be among the placees for this issuance.

On April 19, 2012, the Corporation announced that, conditional upon TSX Venture Exchange Inc. approval, it will issue 250,000 common voting shares at a price of $0.12 per share ("Private Placement"), for the gross proceeds of $30,000.00, to one consultant of the Corporation.

HTC is engaged in a license dispute with one of its CO2 capture technology providers. The commercial effect and outcome of this license technology dispute cannot be determined at this time.

23. Comparative periods

The financial statements of prior years, reported under Canadian generally accepted accounting principles, were audited by another firm of professional accountants.