

HTC PUREENERGY INC.

Price (May 4, 2009)	\$2.45
52-Week High-Low	\$5.11 - \$1.89
Shares O/S	17 million
Market Cap	\$41.65 million
20-day Average Volume	6,200
150-day Average Volume	4,700
Year-End	December 31
Symbol	TSX-V: HTC
Website	www.htcenergy.com

Financial Data (CAD\$)

Selected Income/Cash Flow

	Year End	Year End
(CAD\$ 000s)	Dec. 31 2007	Dec. 31 2008
Revenues	271	4,598
Adjusted EBITDA	(1,860)	1,429
Net Income	2,271	(3,759)
Cash Flow (CF) From Operations	(1,731)	1,668
Free CF	(5,571)	(9,896)

Selected Balance Sheet

	Year End	Year End
	Dec. 31 2007	Dec. 31 2008
Cash & ST Investments	4,812	10,808
Shareholders' Equity	\$20,269	\$28,400
Total Assets	\$20,411	\$29,430
Working Capital	\$5,213	\$11,690
Working Capital Ratio	37.74x	12.35x

Key Ratios

Monthly Cash Burn (CAD\$)	\$135,436	\$240,921
Adjusted EBITDA Margin	-686.6%	31.1%
ROE	11.2%	-13.2%
ROA	11.1%	-12.8%
Sales Per Share	\$0.02	\$0.28
Earnings (Loss) Per Share	\$0.19	-\$0.25
Free CF Per Share	-\$0.46	-\$0.65

Multiples

Price/EPS (multiple)	-9.99x
Price/EBITDA (multiple)	29.88x
Price/CF (multiple)	25.60x
Equity Book Value Per Share	\$1.63
Cash Per Share (March 2009)	\$0.58
Enterprise Value (\$ millions)	\$52.8
Enterprise Value Per Share	\$3.03

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Note: This report was prepared with public information only.



Source: www.bigcharts.com

SYNOPSIS

HTC Pureenergy Inc., with collaborative development programs with its partners (see page 2), should be able to leverage its CO₂ capture and storage technologies to maintain strong revenue growth. The increasing need for substantial reductions in greenhouse gas emission in Canada and internationally should be positive for increasing the Company's investor interest.

THE COMPANY

HTC Pureenergy Inc. ("HTC" or the "Company") is a development stage company, which commercializes CO₂ capture and storage technologies for enhanced oil recovery (EOR) and geological sequestration. It also develops technologies for hydrogen production and bio-fuels. Commercial offices are located in Regina, Sask.; Vermont; and Sydney, Australia.

INVESTMENT CONSIDERATIONS

Strengths

- Tougher regulations on greenhouse gas emission worldwide;
- Developed cost-effective technologies for CO₂ capture and storage; considered a world leader in CO₂ capture and EOR;
- Maintains technological advantages through collaborative development programs; and
- Strong revenue growth expected with 36 pending projects.

Challenges

- Lack of economies of scale due to small size;
- Competes against larger and financially stronger companies;
- Substantial capital expenditures required for research and development and maintenance of existing products; and
- Continued financing required to support growth through acquisitions and investments.

OPERATIONS

HTC's core business activities include the following:

- (1) *CO₂ Capture*: provides CO₂ management, including technology licensing, OEM supplies, project development, process optimization, and the commercialization of world-leading carbon clear energy technologies;
- (2) *CO₂ for EOR*: engages in the business of oil field analysis and simulation, oil field project valuation, CO₂ processing, and CO₂ compression and injection;
- (3) *CO₂ Storage*: provides services in geological profiling, risk assessment, CO₂ auditing and monitoring, and carbon credit valuation; and
- (4) *Hydrogen Products*: has developed three unique technologies to produce hydrogen via: (a) steam reforming of crude ethanol; (b) steam reforming of glycerol; and (c) reforming of methane.

HTC has grown rapidly over the past five years, largely through acquisitions (over \$12.5 million since 2004, mostly through shares issuances and share exchanges).

To maintain and advance its research and development and access to larger markets, HTC has collaborative programs with the University of Regina (UofR), International Test Centre for CO₂ Capture, Doosan Heavy Industries & Construction, and Doosan Babcock Energy Ltd (Babcock). Babcock, based in the U.K., is the largest power plant boiler OEM in the world, with annual sales of approximately \$22 billion. Revenues are expected to be \$10-\$30 million per project (5% royalty fee on CAPEX \$200 million to \$600 million per project).

The Company currently has 36 pending projects underway in Canada, Norway, China, Australia, and the U.S.

INDUSTRY AND MARKET

- There are approximately 6,000 industrial power plants emitting 3.8 tonnes of CO₂ annually in the U.S. Over 50% of electricity in the U.S. is generated by coal-fired generators.
- The Canadian government recently imposed stricter regulations of greenhouse gas emission. Should the Liberal government win the next election, we would expect even tougher regulations to meet the Kyoto commitment period.
- The utilization of CO₂ for EOR can significantly increase proven recoverable oil by reducing viscosity and swelling of the oil.
- Post water flooding, CO₂ can recover up to 15% of original oil in place.
- CO₂ flooding before water flooding can recover up to 35% of original oil in place.

CORPORATE STRATEGY

Key priorities for management include the following:

- Pursue a variety of projects worldwide;
- Build strong relationships with technology suppliers;
- Pursue relationships with large engineering, procure and contract (EOC) and Original Equipment Manufacturers (EOM) to develop its CO₂ capture market world-wide; and
- Maintain a solid financial position to support growth.

FINANCIAL REVIEW

- *Strong revenue growth*: Revenues increased significantly to \$4.6 million in 2008 compared to \$0.3 million in 2007, reflecting an increase in engineering and process contracts internationally and the completion of a two-year commercial services alliance agreement.
- *Moderate balance sheet*: HTC has no debt. Net asset value (NAV) grew to \$30 million at the end of February 2009 from \$20 million a year earlier, due to the \$10 million investment from Doosan Babcock/Doosan Heavy Industries in September 2008.
- *Sufficient cash flow (CF)*: Operating Cash Flow for 2008 is expected to be adequate to finance capital expenditures for research and development.
- *Good liquidity*: HTC had over \$10 million in cash and short-term investment by the end of 2008. Working capital ratio is over 12 times.

COMPETITION

- The Company operates in an intense competitive market. Competition is largely from multinational corporations and companies that are financially stronger and are more cost-effective due to much larger size.
- In our view, the keys to HTC's competitive advantage are: (1) it continues to maintain and improve its technologies and product reliability; (2) it maintains strong relationships with larger partners to gain access to international markets; and (3) it carries out and completes contracts in a timely fashion and within estimated costs.

UPSIDE POTENTIAL

The following factors could have a positive influence on the stock price:

- Successfully grow internationally with new contracts from Norway, Canada, China, Australia and the U.S.;
- Generate sufficient operating cash flow to finance required capital expenditures to maintain technological edge;
- Reach critical mass to achieve economies of scale with prudent acquisitions; and
- Tough regulations imposed by the Government of Canada.

MAJOR OWNERSHIP

- Management, directors, staff and UofR own 38%;
- Institutional investors own 16%;
- Doosan Babcock/Doosan Heavy Industries own 15%.

SELECTED FINANCIAL INFORMATION	HTC Pureenergy Inc.		
	Year End Dec. 31 2006	Year End Dec. 31 2007	Year End Dec. 31 2008
Statement of Income/(Loss):			
Engineering & Process Design	306,892	270,841	4,284,046
Project Fees	-	-	313,530
Net Revenues	306,892	270,841	4,597,576
Research and Development	155,572	505,314	277,495
General and Administration	1,811,626	1,625,231	2,891,048
Adjusted EBITDA	(1,660,306)	(1,859,704)	1,429,033
Depreciation & Amortization	624,433	929,400	733,538
Adjusted EBIT	(2,284,739)	(2,789,104)	695,495
Other Operating Income/(Expenses)	132,977	173,802	394,192
Stock-based Compensation	-	-	-
Non-controlling Interest	29,860	12,992	-
Interest Expense	-	-	-
Income before non-recurring	(2,121,902)	(2,602,310)	1,089,687
Future Income Tax	-	-	-
Gains/Loss on Disposals/Write-off	920	4,873,541	(4,848,839)
Net Income/(Loss)	(2,120,982)	2,271,231	(3,759,152)
Total Shares Outstanding	11,302,329	14,343,122	17,429,451
Weighted Average Shares O/S	10,146,192	12,062,669	15,324,378
Earnings (Loss) Per Share	(\$0.21)	\$0.19	(\$0.25)
Statement of Cash Flow:			
Net Income (Loss)	(2,120,982)	2,271,231	(3,759,152)
All Non-Cash Items	594,573	(4,001,732)	5,426,918
Cash Flow from Operations	(1,526,409)	(1,730,501)	1,667,766
Capital Expenditures	(22,267)	(97,454)	(251,290)
Other Investing Items	(217,276)	(3,743,364)	(11,312,119)
Free Cash Flow	(1,765,952)	(5,571,319)	(9,895,643)
Working Capital Changes	145,359	(195,261)	(481,207)
Equity Financing	649,895	5,464,621	10,440,378
Debt Financing/Capital Leases	-	-	-
Change in Cash	(970,698)	(301,959)	63,528
Cash, Beginning of the Period	1,384,181	413,483	111,524
Cash, End of the Period	413,483	111,524	175,052
	Dec. 31 2006	Dec. 31 2007	Dec. 31 2008
Balance Sheet:			
Cash	413,483	111,524	175,052
Short-term Investments	1,000,000	4,700,000	10,632,601
Other Current Assets	337,723	543,145	1,912,163
PP&E	58,713	140,233	370,424
Long-term Investments	289,487	6,231,917	7,245,572
Other Assets	9,959,997	8,684,223	9,094,267
Total Assets	12,059,403	20,411,042	29,430,079
Bank Debt, including Current Portion	0	0	0
Other Payables	131,725	141,886	1,029,697
Long-term Debt/Capital Leases	0	0	0
Non-controlling Interest	0	0	0
Total Liabilities	131,725	141,886	1,029,697
Shareholders' Equity	11,927,678	20,269,156	28,400,382
Total Liabilities & Equity	12,059,403	20,411,042	29,430,079
Book Value (S.E.) Per Share	\$1.06	\$1.41	\$1.63

Analyst Certification

The Research Analyst who was involved in the preparation of this Research Report hereby certifies that:

- (1) the views and opinions expressed herein accurately reflect the Research Analyst's personal views concerning any and all securities and issuers that are either discussed or are the subject matter of this Research Report; and
- (2) the compensation received for the preparation of this report was not related, in any way, to the Research Analyst's views and opinions expressed herein.

eResearch analyst on this report:

Eric Eng, BA (Acct., Econ.), MBA - Eric Eng worked at DBRS as a Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined *eResearch* in January 2008.

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