Infrastructure Management Technologies

TECHNOLOGIES FOR A NEW ENVIRONMENT

Second Quarter Report 2009

pure TECHNOLOGIES

On behalf of the Board of Directors we are pleased to report another successful quarter for the company.

August 18, 2009

For the first half of 2009, we are pleased to report record revenues of $14.9 million and record EBITDA of $2.65 million, compared to 2008 figures of $11.4 million and $2.2 million respectively. Due to the weakness of the US dollar during the second quarter, we incurred a foreign exchange loss of $735,000 for the quarter and $594,000 year-to-date, resulting in a net quarterly loss of $395,000 and net income of $1.43 million year-to-date. Gross margins remained strong at 67% for the quarter and 69% year-to date, resulting from a favourable product mix and improved operational efficiencies.

During the quarter, we purchased the assets of PipeEye International, a provider of long-range robotic specialty inspection services. This acquisition allows us to now undertake P-Wave® electromagnetic inspections without having to dewater pipelines, an important consideration for water agencies, and to offer other premium inspection services in the water and wastewater sector.

Work continued on the Washington Surburban Sanitary Commission project, with optical fibre monitoring installed and commissioned on 7.1 km of prestressed pipeline. An additional 17 km will be commissioned in the next quarter. A major SmartBall project in Australia was also completed in the quarter, and installation and commissioning of the GMRA AFO continued with a total of 360 km now operational. Recent excavations of deteriorating pipes identified by the system confirmed its accuracy and sensitivity.

Looking forward to the second half of the year we expect a slower third quarter, as is normally the case due to the fact that water utilities in North America are operating at full capacity and pipelines are unavailable for inspection. However current indications are for a strong fourth quarter, although this will depend on the timing of anticipated contract awards. Our working capital position continues to improve, standing at $30.4 million as of June 30, 2009 compared to $26.6 million a year earlier. We continue to look for opportunities to grow our business through acquisitions and strategic partnerships in the water and wastewater sectors as we believe that these sectors offer great potential for sustainable growth in revenues and earnings due to increasing international emphasis on the need for infrastructure renewal, water loss mitigation and environmental protection.

Respectfully,

Peter O. Paulson
Chief Executive Officer

John F. Elliott
President &
Chief Operating Officer

This management discussion and analysis ("MD&A") provides analysis of the financial condition and results of operations of Pure Technologies Ltd. and its subsidiaries ("the Company") and compares the quarter ended June 30, 2009 financial results with those of the same quarter last year. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2008, which have been prepared in accordance with generally accepted accounting principles in Canada.

August 18, 2009

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among others things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. Specifically, such forward-looking statements are set forth under "Outlook" and "Liquidity and Capital Resources". In particular, forward-looking information and statements include:

- Expected growth of the Company in 2009 will be financed through existing cash flows
- Customer acceptance and confidence in the technologies will continue to increase demand

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties including without limitation, changes in market competition, governmental or regulatory developments, changes in tax legislation, general economic conditions and other factors set out in the Company's public disclosure documents.

Many factors could cause the Company's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included in this MD&A herein should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified as cautionary statements. Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for the purposes other for which it is disclosed herein.

Additional information relating to Pure can be found on its website at www.puretechnologiesltd.com. The continuous disclosure materials of the Company, including its annual MD&A and Consolidated Financial Statements, Annual Information Form, Information Circular, and press releases issued by the Company, are also available through the Company's website or directly through the SEDAR system at www.sedar.com.

Non-GAAP Measures

The Company uses both GAAP and non-GAAP measures to make strategic decisions and set targets and believes that these non-GAAP measures provide useful supplemental information to investors. EBITDA, gross profit, gross margin, cash from operations, working capital and backlog are measures used by the Company that do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures used by other companies. Included at the end of this MD&A are tables calculating or reconciling these non-GAAP measures where applicable.

Gross profit is defined as revenue less cost of goods sold. Gross margin is revenue less cost of sales divided by revenue expressed as a percentage. Cost of sales includes direct materials, sub-trades, and travel related expenditures. EBITDA is defined as income from continuing operations before interest, income taxes and amortization on property, plant and equipment, intangible assets, and gains or losses on the sale of property, plant and equipment. Gains and losses on foreign exchange are excluded from the EBITDA calculation. Readers are cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP.

Cash from operations is defined as cash flows from operating activities before changes in non-cash working capital. Working capital is defined as current assets less current liabilities.

Backlog is defined as the total value of orders that have not yet been included in revenue and that management has assessed as having a high certainty of being performed because of the existence of a contract or purchase order specifying the scope, value and timing of an order.

Our Business

Pure provides monitoring and surveillance of critical physical infrastructure utilizing patented and proprietary technologies. Pure has developed, and continues to develop, unique technologies primarily focused on the water and wastewater industry, bridges, buildings and parking structures, and oil and gas pipelines. Our main business streams, along with the corresponding technologies and services, consist of:

1. **Proprietary monitoring equipment for pipelines, bridges and structures**

   SoundPrint® is a patented acoustic monitoring technology used to provide continuous remote health monitoring of water and wastewater pipelines, bridges, buildings, parking structures and other infrastructure components.

   SoundPrint® AFO is an acoustic fibre-optic monitoring system for structural monitoring and leak detection in prestressed concrete water and wastewater pipelines, and for leak detection and surveillance of oil and gas pipelines. The use of acoustically-sensitive optical fibre and proprietary optical processing techniques allows Pure to monitor considerably longer lengths of pipelines from a single access point. Patents are pending.

2. **Technical services including inspection, leak detection and condition assessment.**

   P-Wave® is a patented non-destructive testing technology that utilizes electromagnetic techniques to provide a "snapshot" of the condition of concrete pipe used for water and wastewater transmission lines. P-Wave, in combination with SoundPrint acoustic monitoring, provides a comprehensive management solution for the owners and managers of water and wastewater pipelines.

   SoundPrint SmartBall® is a new and innovative leak detection technology. It is a free-swimming foam ball with an instrumented aluminum core capable of detecting very small acoustic events in pipelines. SmartBall can be inserted into a pipeline and can travel with the water flow for more than twelve hours, collecting information about leaks over many miles of pipeline with a single deployment. Patents are pending.

   CableScan utilizes the magnetostrictive sensing technology ("MsS") invented and patented by Southwest Research Institute of San Antonio, Texas. Pure holds a worldwide license for MsS for bridge applications. MsS is also applicable for non-destructive evaluation of steel pipelines, storage tanks and ground anchors, and Pure recently introduced the technology to Canadian oil and gas pipeline operators.

3. **Specialized engineering services in areas related to asset management, primarily in the area of pipeline condition assessment for water and wastewater infrastructure.**

   Openaka is a nationally recognized consulting engineering firm specializing in assessing, repairing, and managing pipelines, with a major focus on Prestressed Concrete Cylinder Pipes (PCCP).

   Price Brothers (UK) Ltd. is a specialty engineering company active in the water resources sector. Since 1982, the company has been providing specialty engineering advice and project management support to the Great Man-Made River Project (GMRP) in Libya, primarily relating to pipe design, manufacture and installation.

4. **Recurring revenue from data analysis and site maintenance for these technologies, and from licensing of our SmartBall leak detection system.**

Key Financial Data and Comparative Figures

($000's except per share data)

Three Months Ended	June 30, 2009
Cash	$ 17,880
Working capital	30,396
Capital assets	6,176
Total assets	38,931
Shareholders's equity	36,486
Revenues	6,764
EBITDA	683
Net income (loss)	(395)
Net income (loss) per share	
– basic	(0.01)
– diluted	(0.01)

Three Months Ended	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008	June 30, 2008
Cash	$ 20,826	$ 20,204	$ 17,458	$ 9,905
Working capital	30,354	27,605	26,311	26,607
Capital assets	5,783	6,089	6,228	6,183
Total assets	38,444	36,232	35,056	35,428
Shareholders's equity	36,064	33,658	32,488	32,742
Revenues	8,164	6,018	4,728	5,394
EBITDA	1,965	39	(365)	446
Net income (loss)	1,826	778	(635)	209
Net income (loss) per share				
– basic	0.06	0.02	(0.02)	0.01
– diluted	0.05	0.02	(0.02)	0.01

Three Months Ended	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007*
Cash	$ 14,446	$ 16,452	$ 16,162
Working capital	28,651	25,903	20,260
Capital assets	3,190	3,162	4,580
Total assets	33,069	29,955	25,839
Shareholders's equity	32,033	29,267	25,079
Revenues	6,028	8,452	2,494
EBITDA	1,755	2,706	(136)
Net income (loss)	1,905	3,390	(339)
Net income (loss) per share			
– basic	0.06	0.11	(0.01)
– diluted	0.06	0.11	(0.01)

*September 30, 2007 and prior data includes discontinued operations.

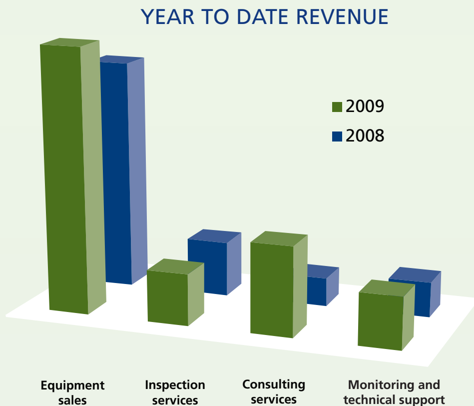
Current Outlook

The first half of 2009 has shown a 31% increase in revenue and a 20% increase in EBITDA compared to 2008. The US market continues to grow and provides 60% of year to date revenue. The international market is also growing with significant projects completed in Australia and Africa. Our establishment of a branch office in Abu Dhabi continues and we expect additional projects in the Middle East. Libya continues to be a major market with the installation of seven AFO systems being completed in the quarter. Work on the Washington Suburban Sanitary Commission (WSSC) contract continued in the quarter providing revenue in all four business streams. With the addition of robotic inspection assets in the quarter, non-manned P-Wave inspections will expand our product line. While the third quarter tends to be the slowest quarter of the year, the expectation for the remainder of 2009 is for continued growth and profitability.

Current confirmed backlog is in excess of $13.8 million. Pure has also received verbal confirmation of projects in excess of $8 million which are subject to the normal contract review process and final documentation. Annualized monitoring and technical support revenue under contract is in excess of $4 million.

Results of Operations

YEAR TO DATE REVENUE



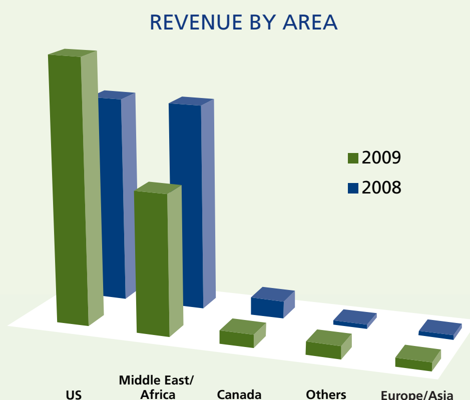
Overall, revenues have increased by 25% in the second quarter compared to the same period in 2008. Year to date revenues have increased by 31%.

Equipment sales have shown an increase of 9% for the quarter while year to date the increase is 14%. In this quarter, three AFO data acquisition systems were sold to WSSC. One system was installed while the other two will be installed in the next quarter.

Inspection service revenue was down slightly from the second quarter of 2008 (8%) and on a year to date basis (6%). Consulting services for the second quarter of 2009 increased 152% and 216% for the year to date. The increase for both is due to the inclusion of revenue from Price Brothers (UK) Ltd. (PBUK) which was acquired in May 2008 and continued work on the WSSC contract.

Revenue from monitoring and technical support increased by 23% for the quarter and increased 49% year to date. With the additions to the installed base of AFO and SoundPrint systems, this revenue source continues to increase each year.

The largest growth in revenue has come from the US market. Increases have also occurred in the European and Asian markets as well as South America and Australia. International marketing efforts continue to provide a more diverse market for the Company.



Gross profit increased by 40% both for the quarter and on a year to date basis. Gross margin was 67% in the second quarter of 2009, compared to 60% in 2008. Year to date margin for 2009 is 69% compared to 64% in 2008. All product lines continue to provide target margins with only slight deviations from quarter to quarter.

Marketing and promotion expenses for the quarter have increased by 22% over the second quarter of 2008 and have increased 36% year to date. Additional staff was added for the North American market in the latter part of 2008 and early 2009 to service continuing growth in this market. Increased presence in the international market is a major focus for the Company in 2009. Initiatives include the establishment of a branch office in Abu Dhabi and continuing SmartBall demonstrations in various countries for water, wastewater and hydrocarbon applications.

Engineering and operations expenses have increased by 184% over the second quarter of 2008 and 132% year to date. As a percentage of revenue, these expenses have grown from 7% to 12% year to date. The operations group in the U.S. has continued to expand as our revenue grows. As well, PBUK expenses are included for all of 2009 figures while only two months are included in the 2008 figures.

General and administrative expenses for the quarter have increased 21%. Year to date expenses have increased by 49%. The year to date increase is due to inclusion of PBUK. The increase in the current quarter is due to increased professional fees compared to the previous year.

Research and development expenses decreased for the quarter by 2%. Year to date expenses have decreased by 17%. The Company was awarded a research grant through Arizona State University in 2008. In 2008, the payments were all deducted from the amounts capitalized, but since no costs were capitalized in 2009, these payments were deducted from the research and development expenses.

Depreciation and amortization for 2009 increased by 17% compared to the second quarter of 2008 and 21% year to date. The rise in depreciation and amortization expense reflects capitalization of development costs in 2008 as well as the amortization of intangible assets on the acquisition of PBUK. The Company changed its accounting estimate of computer hardware for depreciation purposes from 5 years to 3 years effective June 1, 2009.

EBITDA for the second quarter increased 53% compared to 2008. Year to date, EBITDA has increased by 20%. With increased revenue and gross profit, the Company is showing higher profitability even though the expenses are growing. As a percentage of revenue, the operating expenses have increased by 5% for the quarter and 6% for the year to date.

Liquidity and Capital Resources

The Company's working capital balance at June 30, 2009 was $30.4 million compared to $27.6 million at December 31, 2008. While cash on hand has decreased $2.3 million mainly due to increased receivables, cash from operations generated approximately $2.7 million during 2009. Capital expenditures of $433,000 and the acquisition of Pipe Eye International of $450,000 were offset by funds from the exercise of options of $919,000. The Company expects that it can finance its short term strategies with the cash generated from operations.

The Company also has an asset based facility for short term financing when required but, currently, has not drawn on this facility.

Commitments and Contingencies

The Company's contractual obligations are consistent with the amounts disclosed in the December 31, 2008 financial statements except as described below. During the second quarter, the Company entered into a new lease agreement for its Columbia, MD operations. The annual lease payments for the first five years of this agreement are approximately $492,117, with payment commencing July 1, 2009.

Outstanding Share Data

The following tables indicate the common shares and stock options issued and outstanding at December 31, 2008, June 30, 2009, and August 18, 2009.

	August 18, 2009	June 30, 2009	December 31, 2008
Common shares	33,419,996	33,403,330	32,917,735
Stock options	2,240,737	2,257,403	2,745,501
Weighted average number of shares			
– basic	33,138,363	33,167,415	32,546,778
– diluted	33,765,666	33,758,607	32,966,902

Acquisitions

On May 31, 2009, the Company completed a business combination with Pipe Eye International Inc. and Pipe Eye Video Inspection and Services Ltd. for specific assets related to the specialty and long range robotic inspection industry. The purchase price of $450,000 was allocated as follows:

Property, plant, and equipment	$ 450,000

The Company entered into an agreement in principle to purchase the operating subsidiaries of Jason Consultants Group Ltd. for USD $500,000. The transaction is expected to close on August 31, subject to the execution of a sale and purchase agreement. Jason is a specialist consultancy focused on underground infrastructure engineering and technology. Founded in 1979, the company provides its clients with world-class expertise in the inspection, assessment and rehabilitation of water and wastewater pipelines; trenchless technology; and related underground infrastructure fields. Jason has been recognized every year since 2002 as one of the Top 50 Design Firms in this sector by Trenchless Technology Magazine.

New Accounting Standards

The CICA issued three new accounting standards in January 2009: section 1582, "Business Combinations", section 1601, "Consolidated Financial Statements", and section 1602, Non-controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace 1600 – Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination which is not applicable to the Company. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Effective January 1, 2009, the Company adopted the new accounting standards relating to goodwill and intangible assets issued by the Canadian Institute of Chartered Accountants (CICA). The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to initial recognition. The new section also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The adoption of these standards did not have a significant impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2009, the AcSB has confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canada's current Generally Accepted Accounting Principles (GAAP) for all publicly accountable profit-oriented enterprises. The first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, the Company will provide unaudited consolidated interim financial information in accordance with IFRS including comparative figures for 2010.

We have completed our preliminary assessment of accounting differences and the selection of IFRS accounting policies and IFRS 1 elections are underway. We are currently assessing disclosure requirements and the potential impact on systems and processes.

In the period leading up to the changeover, the AcSB will continue to issues accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board ("IASB") will also continue to issue new accounting standards during the conversion period, and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

Reconciliation Tables

The following tables show the calculation or reconciliation of non-GAAP measures used in this MD&A from GAAP measures or amounts reflected in the Company's interim unaudited consolidated financial statements (see "Non-GAAP Measures").

The following tables present the calculation of gross profit and gross margin.

Three Months Ended June 30 (in thousands of dollars)	**2009**	**2008**	**Change**
Revenue	$ 6,764	$ 5,394	25%
Cost of sales	2,233	2,149	4%
Gross Profit	$ 4,531	$ 3,245	40%
Gross Margin **(Gross profit as a % of revenue)**	67.0%	60.2%	

Six Months Ended June 30 (in thousands of dollars)	**2009**	**2008**	**Change**
Revenue	$ 14,928	$ 11,422	31%
Cost of sales	4,676	4,125	13%
Gross Profit	$ 10,252	$ 7,297	40%
Gross Margin **(Gross profit as a % of revenue)**	68.7%	63.8%	

The following tables reconcile net income in accordance with GAAP to EBITDA.

Three Months Ended June 30 (in thousands of dollars)	**2009**	**2008**	**Change**
Net income (loss)	$ (395)	$ 209	(289%)
Amortization expense	334	285	17%
Foreign currency (gain) loss	735	11	6,581%
Interest income	(16)	(72)	77%
Income tax expense (recovery)	25	13	92%
EBITDA	$ 683	$ 446	53%
% of revenue	10.1%	8.3%	

Six Months Ended June 30 (in thousands of dollars)	**2009**	**2008**	**Change**
Net income (loss)	$ 1,431	$ 2,114	(32%)
Amortization expense	650	539	21%
Foreign currency (gain) loss	594	(268)	322%
Interest income	(56)	(197)	72%
Income tax expense (recovery)	28	13	115%
EBITDA	$ 2,647	$ 2,201	20%
% of revenue	17.7%	19.3%	

The following tables present the calculation of cash from operations.

Three Months Ended June 30 (in thousands of dollars)	**2009**	**2008**
Net income (loss)	$ (395)	$ 209
Add items not affecting cash:		
Amortization expense	334	285
Future tax expense (recovery)	(11)	(8)
Unrealized foreign exchange (gain) loss	1	–
Stock-based compensation expense	174	152
Loss on disposal of assets	3	–
Other non-cash expenses	39	–
Cash from operations	$ 145	$ 638

Six Months Ended June 30 (in thousands of dollars)	**2009**	**2008**
Net income (loss)	$ 1,431	$ 2,114
Add items not affecting cash:		
Amortization expense	650	539
Future tax expense (recovery)	(23)	(8)
Unrealized foreign exchange (gain) loss	147	–
Stock-based compensation expense	348	315
Loss on disposal of assets	22	–
Other non-cash expenses	123	–
Cash from operations	$ 2,698	$ 2,960

The following table presents the calculation of working capital.

(in thousands of dollars)	**June 30, 2009**	**Dec. 31, 2008**	**Change**
Current assets	$ 32,668	$ 29,983	$ 2,685
Current liabilities	2,272	2,378	(106)
Working Capital	$ 30,396	$ 27,605	$ 2,791

Consolidated Balance Sheets

As at June 30, 2009 and December 31, 2008
(unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,879,880	$ 20,204,264
Accounts receivable	12,530,962	7,457,706
Inventory (note 6)	1,721,057	1,385,948
Prepaid expenses	450,005	847,840
Net investment in lease	86,495	87,374
	32,668,399	29,983,132
Property and equipment	2,727,314	2,486,835
Goodwill	1,848,481	1,848,481
Intangible assets	1,600,080	1,753,726
Net investment in lease	86,495	131,062
Other assets (note 9)	–	28,467
	$ 38,930,769	$ 36,231,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,012,742	$ 2,265,786
Deposits on sales contracts	258,854	112,047
	2,271,596	2,377,833
Future income taxes	173,038	195,928
Shareholders' equity: (note 7)		
Share capital	45,350,301	44,101,647
Contributed surplus	1,197,646	1,179,339
Accumulated other comprehensive gain (loss)	70,783	(58,978)
Deficit	(10,132,595)	(11,564,066)
	36,486,135	33,657,942
Subsequent events (note 13)	$ 38,930,769	$ 36,231,703

See accompanying notes to consolidated financial statements.

On behalf of the Board:

James E. Paulson, Director

Michael M. Kanovsky, Director

Consolidated Statements of Operations and Deficit

Periods ended June 30, 2009 and 2008
(unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Revenue				
Equipment sales	$ 3,157,274	$ 2,888,388	$ 8,598,657	$ 7,540,499
Inspection services	1,047,881	1,143,395	1,689,557	1,803,394
Consulting services	1,719,367	682,379	2,934,081	929,514
Monitoring and technical support	839,624	680,109	1,706,111	1,148,812
	6,764,146	5,394,271	14,928,406	11,422,219
Cost of sales	2,233,452	2,148,823	4,676,466	4,125,454
	4,530,694	3,245,448	10,251,940	7,296,765
Expenses				
Marketing	1,015,599	830,071	2,083,898	1,528,358
Engineering and operations	935,381	329,167	1,828,717	787,737
General and administration	1,548,717	1,285,162	3,111,058	2,083,960
Research and development	348,681	355,407	581,417	696,431
Depreciation and amortization	333,687	284,897	649,900	539,033
	4,182,065	3,084,704	8,254,990	5,635,519
	348,629	160,744	1,996,950	1,661,246
Other income				
Foreign exchange gain (loss)	(734,780)	(10,646)	(593,889)	268,496
Interest income	16,384	71,824	56,407	197,102
Net income (loss) before income taxes	(369,767)	221,922	1,459,468	2,126,844
Income taxes				
Current	36,643	20,277	50,887	20,277
Future (recovery)	(11,445)	(7,545)	(22,890)	(7,545)
	25,198	12,732	27,997	12,732
Net income (loss)	(394,965)	209,190	1,431,471	2,114,112
Deficit, beginning of period	(9,737,630)	(11,915,961)	(11,564,066)	(13,820,883)
Deficit, end of period	$(10,132,595)	$(11,706,771)	$ (10,132,595)	$ (11,706,771)
Net income (loss) per share				
– basic	$ (0.01)	$ 0.01	$ 0.04	$ 0.07
– diluted	$ (0.01)	$ 0.01	$ 0.04	$ 0.06
Weighted average number of shares outstanding				
– basic	33,167,415	32,489,676	33,064,973	32,323,428
– diluted	33,758,607	33,053,473	33,696,493	32,916,505

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Periods ended June 30, 2009 and 2008
(unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net income (loss)	$ (394,965)	$ 209,190	$ 1,431,471	$ 2,114,112
Translation gains on self-sustaining operations	124,255	–	129,761	–
Total comprehensive income (loss)	$ (270,710)	$ 209,190	$ 1,561,232	$ 2,114,112

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Periods ended June 30, 2009 and 2008
(unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash was generated from (used in)				
Operations				
Net income (loss)	$ (394,965)	$ 209,190	$ 1,431,471	$ 2,114,112
Adjustments for:				
Depreciation and amortization	333,687	284,897	649,900	539,033
Stock based compensation	174,527	151,800	348,427	314,582
Loss on disposal of assets	2,660	–	22,454	–
Unrealized foreign exchange (gain) loss	1,347	–	147,391	–
Future income taxes (recovery)	(11,445)	(7,545)	(22,890)	(7,545)
Other non-cash expenses (note 8)	39,266	–	123,426	–
	145,077	638,342	2,700,179	2,960,182
Changes in non-cash working capital:				
Accounts receivable	(3,347,288)	(3,341,366)	(5,341,305)	(7,700,345)
Inventory	(252,617)	(428,622)	(335,677)	(935,335)
Prepaid expenses	240,735	(137,276)	403,564	(372,359)
Accounts payable and accrued liabilities	24,617	1,303,538	(249,744)	1,479,938
Deposits on sales contracts	57,296	(92,811)	145,347	79,558
	(3,132,180)	(2,058,195)	(2,677,636)	(4,488,361)
Financing				
Issuance of share capital, net of costs	518,453	348,837	918,534	1,046,550
	518,453	348,837	918,534	1,046,550
Investments				
Purchase of property and equipment	(298,992)	(567,478)	(374,962)	(821,558)
Acquisition of Price Brother (UK) assets, net of cash acquired	–	(2,722,864)	–	(2,722,864)
Acquisition of Pipe Eye International	(450,000)	–	(450,000)	–
Change in non-cash working capital	–	452,469	–	452,469
Patent and trademark expenditures	(19,903)	(14,512)	(57,651)	(42,133)
Decrease in other assets	–	–	28,467	–
Change in investment in lease	27,911	20,871	45,446	28,846
	(740,984)	(2,831,514)	(808,700)	(3,105,240)
Decrease in cash and cash equivalents	(3,354,711)	(4,540,872)	(2,567,802)	(6,547,051)
Foreign exchange impact on cash and cash equivalents	408,979	–	243,418	–
Cash and cash equivalents, beginning of period	20,825,612	14,446,108	20,204,264	16,452,287
Cash and cash equivalents, end of period	$ 17,879,880	$ 9,905,236	$ 17,879,880	$ 9,905,236

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and 2008 (unaudited)

1. Basis of presentation

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles in Canada and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2008 Annual Report. The consolidated financial statements have been prepared using the same accounting policies as described in the latest consolidated financial statements for the year ended December 31, 2008, except as noted below.

2. New accounting standards

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the new accounting standards relating to goodwill and intangible assets issued by the Canadian Institute of Chartered Accountants (CICA). The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to initial recognition. The new section also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The adoption of these standards did not have a significant impact on the Company's financial statements.

3. Change in accounting estimate

Effective June 1, 2009, as a result of a review of the remaining life and pattern of usage of our computer hardware and other equipment, the estimated life of such assets was changed from 5 years to 3 years. A change in the useful life of a depreciable asset is treated on a prospective basis as a change in estimate. Prior period results have not been restated. The effect of the change in estimated useful life for the quarter ended June 30, 2009, was negligible.

4. Future accounting standards

(a) Business Combinations and Consolidated Financial Statements

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace 1600 – Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination which is not applicable to the Company at the present time. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and 2008 (unaudited)

(b) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The convergence from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company continues to evaluate the impact of implementing IFRS on the financial statements and the changes necessary to reporting systems.

5. Business combination

On May 31, 2009, the Company acquired the assets of Pipe Eye International ("Pipe Eye"). This acquisition was settled for total cash consideration financed from the Company's available cash. Pipe Eye, based in Las Vegas, Nevada, is a provider of long-range specialty robotic inspection services. The acquisition has been accounted for using the purchase method of accounting with the purchase consideration allocated as follows:

	(In Canadian $)
Cost of acquisition:	
Cash consideration	$ 450,000
	$ 450,000
Fair value of net assets acquired:	
Property and equipment	$ 450,000
	$ 450,000

The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

6. Inventory

Inventory includes raw materials of $1,061,456 (December 31, 2008 – $1,382,875) and work in progress of $659,601 (December 31, 2008 – $3,073). For the six months ended June 30, 2009, no inventories were written down from carrying value and there were no reversals of previous writedowns recorded. No inventory is pledged as security for liabilities.

7. Shareholders' equity

(a) Authorized

Unlimited number of voting common shares.
Unlimited number of preferred shares issuable in series.

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and 2008 (unaudited)

(b) Issued and outstanding, three months ended

	June 30, 2009		June 30, 2008	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	$ 32,917,735	44,101,647	32,037,241	$ 42,160,774
Shares issued on exercise of options	485,595	918,534	156,432	277,343
Shares issued on exercise of warrants	–	–	446,285	769,207
Transfer on exercise of warrants	–	–	–	165,106
Contributed surplus recognition on exercise of options	–	330,120	–	86,673
Balance, end of period	33,403,330	$ 45,350,301	32,639,958	$ 43,459,103

(c) Stock options

The Company has a stock option plan whereby the aggregate number of shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares (calculated on a non-diluted basis) as at the time of grant of any options. Options issued prior to December 18, 2005 vest as to 1/6 every 3 months over an 18 month period from the date of grant. Options granted subsequent to December 18, 2005 vest as to 1/3 every year over a 3 year period from the date of grant.

	Number of Shares	Weighted average exercised price
Outstanding, beginning of period	2,745,501	$2.13
Granted	105,000	3.34
Exercised	485,595	1.88
Forfeited	107,503	2.54
Outstanding, end of period	2,257,403	$2.22
Exercisable, end of period	725,318	$2.14

The fair value of each option grant is estimated on the date of grant using the Black-Scholes Merton option pricing model. The weighted average fair value of stock options granted in 2009 was $1.45 using the following weighted average assumptions: zero dividend yield, expected volatility of 54.60%, average risk-free rate of 1.65%; and the average expected life of 4 years. The weighted average fair value of stock options granted in 2008 was $1.13 using the following weighted average assumptions: zero dividend yield, expected volatility of 54.48%, average risk-free rate of 2.87%; and the average expected life of 4 years.

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and 2008 (unaudited)

(d) Contributed surplus

	Six months ended June 30, 2009
Opening	$ 1,179,339
Stock based compensation	348,427
Transfer to share capital on exercise of options	(330,120)
Closing	$ 1,197,646

8. Supplemental cash flow information

As at June 30, 2009, cash and cash equivalent includes short-term investments of $11,260,400 (December 31, 2008 – $16,628,853).

During the quarter, the Company sold an asset in the normal course of business. The proceeds are included in revenue and the cost in cost of sales. The cash flow effect is included as other non-cash expenses.

9. Capital management

The Company's objectives in terms of capital management are to maintain a sound financial position and to ensure financial flexibility in order to maintain its capacity for growth. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors both the demographic spread of shareholders, as well as the return on capital.

The Company's capital is composed of its shareholders' equity and its primary uses are to finance acquisitions, increases in non-cash working capital and capital expenditures for capacity expansion and research and development. The Company believes that current cash balances and future funds generated through its operations will be sufficient to meet cash requirements currently and for the foreseeable future. If the Company were to experience a significant reduction in its cash flows from operations, it currently has a variety of options for raising capital for short-term cash needs, including an unused demand bank loan facility. There were no changes in the Company's approach to capital management during the period ended June 30, 2009 compared to the year ended December 31, 2008.

10. Repayment of loan

In 2008, the Company had an outstanding loan with an officer of the Company for the amount of $28,467. The loan bore interest at 6% per annum. On March 27, 2009, the loan was repaid.

11. Financial instruments and risk management

Financial instruments

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

This note presents information about the Company's exposure to particular risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and 2008 (unaudited)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Approximately 20 percent of the Company's revenue in the quarter is attributable to sales transactions with a single customer. Geographically, there is concentration of credit risk which is mitigated by a letter of credit provided by the customer. Another customer accounts for approximately 21 percent of the revenue for the quarter. The Company does not require collateral for this customer in respect of trade and other receivables. As at June 30, 2009, out of total receivables of $12,530,962, past due receivables in excess of 90 days were $3,038,428. Accounts receivable are net of an allowance for doubtful accounts of $74,426 (December 31, 2008 – $74,426).The Company has no significant concentration of credit risk arising from customers other than as noted above. Cash equivalents consist of banker's acceptances and term deposits, which have been invested with credit worthy financial institutions with original maturities of less than 90 days and management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at June 30, 2009, the Company had a cash balance of $17,879,880 (December 31, 2008 – $20,204,264) to settle current liabilities of $2,271,596 (December 31, 2008 – $2,377,833). In addition, the Company maintains a demand bank loan facility authorized to a maximum of $750,000 secured by certain accounts receivable with interest at bank prime rate plus 1%. As at June 30, 2009 and December 31, 2008, no amounts are drawn on the facility.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in bankers acceptances, deposits and treasury bills issued by credit worthy banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Cash and cash equivalents include banker's acceptances, deposits and treasury bills which are at variable interest rates. Sensitivity to a plus or minus 0.5% change in interest rates would affect equity and net profit by $20,273 per quarter. This analysis assumes that all other variables remain constant.

Notes to Consolidated Financial Statements

Periods ended June 30, 2009 and 2008 (unaudited)

Currency risk

The Company's functional currency is the Canadian dollar and major purchases and sales are transacted in Canadian dollars, US dollars and British pounds. The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company's foreign and domestic operations. In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level.

The following balances denominated in U.S. dollars:

	June 30, 2009	December 31, 2008
Cash and cash equivalents	$ 4,763,414	$ 4,163,278
Accounts receivable	5,766,338	2,580,267
Accounts payable and accrued liabilities	(560,776)	(470,237)
	$ 9,968,976	$ 6,273,308

A 5% change in the US dollar against the Canadian dollar currency would affect equity and net income (loss) by $576,000. This analysis assumes that all other variables remain constant.

The following balances denominated in British Pounds:

	June 30, 2009	December 31, 2008
Cash and cash equivalents	£ 391,081	£ 394,756
Accounts receivable	822,374	593,462
Accounts payable and accrued liabilities	(344,970)	(395,257)
	£ 868,485	£ 592,961

A 5% change in the British pounds against the Canadian dollar currency would affect equity and net income (loss) by $83,000. This analysis assumes that all other variables remain constant.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted during the current period.

13. Subsequent events

The Company entered into an agreement in principle to purchase the operating subsidiaries of Jason Consultants Group Ltd. ("Jason") whereby the Company would acquire all of the issued and outstanding shares of Jason (the "Transaction"). The transaction will be settled for total cash consideration of $500,000 USD financed from the Company's available cash. The transaction is expected to close on August 31, 2009, subject to the execution of a sale and purchase agreement.

The Company entered into a new lease agreement as of July 1, 2009 for its Columbia, MD operations. The annual lease payments for the first 5 years of this agreement are approximately $492,117.

BOARD OF DIRECTORS

James Paulson
Peter Paulson
Michael Kanovsky
David McDermid
Charles Fischer

OFFICERS

James E. Paulson
Chairman of the Board

Peter O. Paulson
Chief Executive Officer &
Chief Technology Officer

John F. Elliott
President &
Chief Operating Officer

Karen D. Keebler
Chief Financial Officer

Mark W. Holley
President
Pure Technologies U.S. Inc.

Michael R. Wrigglesworth
Vice President
Middle East & Africa

John Stoner
Managing Director
Price Brothers (UK) Limited

SOLICITORS

Bennett Jones LLP
4500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7

AUDITORS

KPMG LLP
2700, 205 - 5th Avenue S.W.
Calgary, Alberta T2P 4B9

BANK

HSBC Bank Canada
407 - 8th Avenue S.W.
Calgary, Alberta T2P 1E5

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

STOCK EXCHANGE LISTING

TSX Venture Exchange
Symbol: PUR

HEAD OFFICE

3rd Floor
705 - 11th Avenue S.W.
Calgary, Alberta, Canada T2R 0E3
Telephone: (403) 266-6794
Toll-free: 1-800-537-2806
Fax: (403) 266-6570

Email:
info@puretechnologiesltd.com

Websites:
www.puretechnologiesltd.com
www.soundprint.com
www.openaka.com
www.pricebrothers.co.uk

PURE TECHNOLOGIES U.S. INC.

Suite B
8920 State Route 108
Columbia, Maryland, USA 21045
Telephone: (443) 766-7873
Fax: (443) 766-7877

PURESERVICE INC.

Suite 202
1250 State Route 28
Branchburg, New Jersey, USA 08876
Telephone: (908) 526-6600
Fax: (908) 526-9900

PRICE BROTHERS (UK) LTD.

Lancashire House
39 – 43, Monument Hill
Weybridge, Surrey KT13 8RN
Telephone: 44 (1932) 857666
Fax: 44 (1932) 855758

SUSTAINABILITY

Prolonging the life of bridges, pipelines and other critical infrastructure.

CONSERVATION

Reducing losses in water, oil and gas pipelines.

ENVIRONMENTAL PROTECTION

Preventing the uncontrolled release of wastewater, chlorinated water and hydrocarbons into the environment.

3rd Floor, 705 - 11th Avenue S.W.
Calgary, Alberta, Canada T2R 0E3
Telephone: (403) 266-6794
Toll-free: 1-800-537-2806
Fax: (403) 266-6570

www.puretechnologiesltd.com

PRINTED IN CANADA
Produced by Typewise Design Studio