

## **Chairman's Address - AGM 14 November 2007**

Ladies and gentlemen,

HiTec's ability to reward its shareholders' patience, with higher share prices and dividends in future, remains firmly tied to the extension, protection and commercialisation of its intellectual property. Our efforts over the past year have been directed towards these ends and today we hold three patents, or patent applications, that as a suite have the potential to allow us to meet our goals.

Our third patent application covering a novel method for producing a manganese rich micronutrient fertiliser, which was announced in our most recent quarterly report, complements our original sulfur dioxide leach patent. This addition to our intellectual property stable has the potential to reduce significantly the capital and operating costs of an electrolytic manganese dioxide (EMD) or electrolytic manganese metal (EMM) plant utilising our sulfur dioxide leach process rather than conventional roasting technology, thus increasing its competitiveness and returns.

Progress in demonstrating our intellectual property at full production scale has again been slower than I would wish to report, but we remain on course and continue to pursue a number of opportunities for early plant developments. In this regard, we are very much focused on achieving commercialisation via technology licencing rather than in house project development as we see this as the best means of achieving results for shareholders. We are also very much focused upon offshore rather than domestic opportunities, although the work being done offshore, and particularly in India, is enhancing the chances for an early stage domestic project being undertaken.

The past year has seen very positive movements in the prospects for both high purity EMD and EMM. In the case of EMD, the disposable alkaline battery market has continued to exhibit steady growth and this has been complemented by strong growth, from a low base, in the lithium/manganese disposable and rechargeable battery markets. However the outstanding performer over this period has been the manganese cathode variant of the lithium-ion battery which is fast becoming the rechargeable battery of choice to power all types of electronic devices and a leading contender to be the rechargeable battery of choice for electric and hybrid vehicles. The speed at which this new battery format has moved from laboratory workbench to incorporation in production units has surprised many observers and this bodes well for future high purity EMD demand.

On the pricing front, both EMD and EMM have recovered from their price slumps of recent years with the factors that caused the slumps highly unlikely to reoccur. All current production, including Chinese, is suffering very high input costs and unable to bear the level of sales prices experienced as the new Chinese producers forced their way into the market in recent years. More recently, the Chinese governmental authorities have reduced or eliminated subsidies to EMD and EMM producers and have begun to look more critically at their environmental performance. All of these factors and others that I have not mentioned now point to a similar favourable pricing environment for electrolytic manganese products as is currently being seen for unprocessed manganese ores.

Considerable effort has also been expended in the latter half of the year to explore the potential for mining and exporting a medium grade manganese oxide ore from the company's Ant Hill and Sunday Hill mining leases. Our analysis shows that this is an attractive opportunity for HiTec to pursue in the current high ore price environment and, once commenced, one which has the potential to remain attractive over the medium term or longer. Whilst we expect ore prices to move higher over the next year or two, we are moving fast to get an ore export operation away in the near term and have identified the resources required for us to achieve this without interference to our mineral processing ambitions.

We have today approximately one million dollars in the bank and are confident that this will be adequate to get us to a position where we are 'printing' cash monthly rather than 'burning' it. Every effort will be made to avoid having to raise more cash from shareholders to achieve our goals. Specifically, we expect any mining activities undertaken to be self funding initially and to be the source of positive cash flow within the next nine months.

**ENDS**

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