

HiTec Energy

Electrofuel™ for Portable Energy

Quarterly Report - 31 March 2006

FUTURE DIRECTION

HiTec remains focused upon acquiring an existing EMD production facility that can be converted to incorporate the Company's patented leaching technology, as its primary means of entry into EMD production. The prospects for success remain good, with more than one opportunity under consideration, although as previously stated an acquisition or joint venture may take some time to conclude. In the interim and because of the sensitivities involved in discussions, the Company will not provide a running commentary on actions taken and progress made.

Management has also continued discussions with a number of other parties who have recognised the particular advantage that the HiTec process has in treating low-grade manganese dioxide ores that have no other commercially viable use. The Board remains confident of bringing one or more of these negotiations to a successful conclusion in the near future through technology licensing or otherwise. Importantly, and as previously stated, such arrangements would be complementary to acquiring our own production facilities and would enhance HiTec's position as a technology developer and provider.

Over the last year EMD market factors have continued to move in HiTec's favour and this has served to confirm the Board's conviction that this is a market that can provide investors with attractive returns over the medium to long term. This factor, combined with the unique opportunity that our patents provide and our cash reserves, will allow us time to lock in a future direction that will produce optimum returns for shareholders.

LIQUIDITY

As at 31 March 2006, HiTec had cash and receivables of \$2.6m and creditors and accruals of \$0.1m, giving net liquid funds of \$2.5m. As the Company has no outstanding debt or current debt facilities, it is well placed to fund its current activities.



Alan Scott (MD/CEO)

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(HiTec Energy Ltd is alternatively referred to in this document as "HiTec" or "the Company")

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