

HiTec Energy

Electrofuel™ for Portable Energy

Quarterly Report – 30 June 2006

FURTHER PROGRESS TOWARDS COMMERCIALISATION OF TECHNOLOGY

In the past three months HiTec has progressed all of the projects that it is considering and is now in a position where it can choose between multiple paths forward towards an involvement in EMD production using its patented technology. The projects under consideration would each independently demonstrate HiTec's process at a full production scale and, as none of the projects rule out participation in others, the possibility exists that we can quickly establish our process as the preferred one for producing high quality EMD or electrolytic manganese metal (EMM) from manganese oxide ores.

The next few months should see a commitment to one or more projects that will fully occupy the company's resources for the next year leading to a positive cash flow situation and an improved share price. The time we have taken to reach this point is overlong and no recounting of the difficulties that we have encountered along the way will lessen the real disappointment suffered by shareholders. However, the fact that we have persisted, into a period where our technology is being far better appreciated for what it can deliver commercially and environmentally, gives us all hope that it can now also deliver in shareholder value terms.

Your directors and management team remain committed to achieving a breakthrough that will allow HiTec to prosper and, as a consequence, to continue its efforts to bring greater economic and environmental efficiencies to the way that metals are extracted from ores.

LIQUIDITY

As at 30 June 2006, HiTec had cash and receivables of \$2.5m and creditors and accruals of \$0.3m, giving net liquid funds of \$2.2m. 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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