

# HiTec Energy

Electrofuel™ for Portable Energy

## Quarterly Report – 30 June 2007

### COMMERCIALISATION OF PATENTED TECHNOLOGY

Subsequent to the end of the quarter under review HiTec has signed a heads of agreement (HoA) with M/s Cube Mines & Minerals Pvt Ltd (Cube) under which the parties have signalled their intent to enter into technology licensing and other related agreements. These agreements will allow HiTec's patented sulfur dioxide leach process to be utilised initially in a proposed alkaline grade electrolytic manganese dioxide (EMD) plant to be constructed at Halol, in the Panchmahals district of Gujarat in India and later on in other potential EMD or electrolytic manganese metal (EMM) plants in India.

It is proposed that the Halol EMD project will be a joint venture between Cube, HiTec and M/s Gujarat Minerals Development Corporation Ltd (GMDC), which is a Gujarat State government enterprise. GMDC and Cube have already concluded an ore supply agreement under which the proposed joint venture vehicle for the project, Gujarat Manganese Ltd (GML) will gain access to the feedstock for the EMD plant and for future plants that may be developed in Gujarat. Once operational, GML will undertake an Indian based feasibility study to confirm the economic and technical viability of the proposed plant. It is expected that this work will be facilitated by the availability of various feasibility studies already undertaken for HiTec in respect of plants previously proposed to be built in Australia.

Consistent with the framework agreed in the HoA, the parties now intend to negotiate a technology licensing agreements, under which GML would be the licensee, plus a shareholders' agreement for GML. These documents are scheduled for completion prior to 31 December 2007. In the same timeframe, HiTec and Cube also intend to negotiate a separate agreement under which they can jointly seek further opportunities to licence HiTec's patents to new EMD or EMM projects outside of Gujarat State, but within India.

HiTec continues to discuss technology licensing agreements with parties outside of India and remains confident of success due to the present increased steel industry demand for high grade manganese oxide ores that HiTec believes will continue for some time yet. It is believed that this high steel industry demand will force EMD and EMM producers to turn increasingly to efficient and environmentally sound technologies, such as those patented by HiTec, as these can utilise low to medium grade manganese oxide ores and high tenor manganese wastes, rather than the high grade manganese oxide fines that are required using conventional production technologies involving roasting. Accordingly, HiTec remains confident that further commercialisation agreements based upon its patents can be achieved as we move forward.

## MANGANESE MINING LEASES

The new geophysical work planned for the June quarter, as detailed in the last quarterly report, was delayed due to labour shortages. The contractor team employed to undertake the work was only mobilised from Kalgoorlie in late July and results will not be available until sometime in August. After comparison with the geophysical data already in hand, a drilling plan will be finalised and commissioned. Whilst drilling at Sunday Hill is targeted for completion in the September quarter, the small scale of the works dictates that their timing will again be dependent upon the successful engagement of a passing contractor if mobilisation costs are to be minimised.

Discussions continue with multiple parties to determine how our mining leases at Ant Hill and Sunday Hill may best be utilised to take advantage of the present high demand for manganese ores. Whatever the outcome of these discussions, HiTec will seek to ensure that any manganese fines, resulting from a mining operation on these leases, are available to the Company as feedstock for a future Australian based EMD plant utilising our patented sulphur dioxide leaching process.

## DISTRIBUTION AGREEMENT WITH ULTRALIFE BATTERIES INC (UBI)

The distribution agreement with UBI, foreshadowed in the last quarterly report has subsequently been signed. As previously stated, the distribution role can be serviced from HiTec's existing resources, without impeding our patent commercialisation efforts and it is expected to prove profitable in the short term. HiTec and UBI share a common interest in the development and commercialisation new technology batteries that use high purity EMD as a key component of their feedstock.

High purity EMD is used in lithium-manganese primary (i.e. disposable) batteries, as lithiated manganese dioxide cathode material, providing high-end users of portable electronic devices with added power and greater dependability at a very cost effective price. Lithium-ion secondary (i.e. rechargeable) batteries, also with lithiated manganese dioxide cathodes derived from EMD as an alternative to cobalt, offer similar advantages when utilised in electric or hybrid vehicles plus have other characteristics that make them a very strong contender to be the battery of choice in the transport industry over the next decade and beyond.

## LIQUIDITY

As at 30 June 2007, HiTec had cash and current receivables of \$1.4m and creditors and accruals of \$0.0m giving net liquid funds of \$1.4m. The Company has no outstanding debt and is well placed to fund its current and planned activities.



Alan Scott (MD/CEO)

**HiTec Energy Limited** (ABN 38 009 113 160)

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

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