

HiTec Energy

Electrofuel™ for Portable Energy

Quarterly Report – 30 September 2006

PROGRESS TOWARDS COMMERCIALISATION OF TECHNOLOGY

We remain focused on entering into an arrangement that will allow the commercialisation of the company's patents to be expedited. Good progress has been made during the quarter under review and discussions with interested parties are continuing. Whilst as previously stated, achieving the right result may take some time, we remain convinced that taking the time to get the right arrangement will clearly provide the best outcome for shareholders.

PRODUCT MARKET UPDATE

The market for high purity EMD continues to grow at rates consistent with recent past experience. Growth is mainly driven by the continued displacement of carbon-zinc batteries, which in the main use lower purities of EMD, with alkaline batteries. It is anticipated that the extension of the 'digital age' to every aspect of our daily lives will continue to drive this displacement exercise for many years to come and, although some alternate battery technologies exist, none appear likely to in turn displace the alkaline battery in the foreseeable future.

Very importantly, the manganese form of the lithium-ion battery technology, which uses very high purity EMD as a precursor to its cathode material, has now become the front runner technology for the next generation of hybrid vehicle batteries. This development, which has been given added impetus by the inadequate performance of existing battery technologies used in hybrid vehicles, has the potential to double the size of the high purity EMD market within the next decade, as more and more hybrid cars, trucks and buses are produced.

LIQUIDITY

As at 30 September 2006, HiTec had cash and receivables of \$2.0m and creditors and accruals of \$0.0m, giving net liquid funds of \$2.0m. As the Company has no outstanding debt 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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