



CRWEResearch.com Report

November 9, 2009

From The Desk of Kenneth Bosket



Symbol	CVAT.OB
Name	Cavitation Technologies
Industry	Agricultural Chemicals
Category Exchange	OTC BB
Last Trade	0.38
Fiscal Year End:	June 30
Dividend Yield (TTM):	N/A
52-Week High:	\$0.61
52-Week Low:	\$0.10
Daily High Price:	\$0.42
Daily Low Price:	\$0.30
Previous Close:	\$0.36
Daily Volume:	204,270
Shares Outstanding ('000 shares):	105,991
Market Capitalization (M\$):	35.51
Float ('000 shares):	N/A
Insider Holding:	41.4%

Short Term Target Price:	\$0.80
Medium Term Target Price:	\$1.20
Long Term Target Price:	\$2.00

RECOMMENDATION

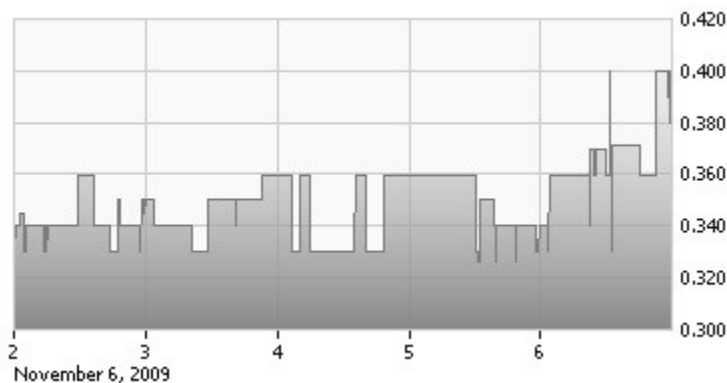
Cavitation Technology, Inc., is striving for a leading position in all its markets and business segments. This company's reactor is a patent-pending flow-through nano-cavitation technology (NCR) that represents a quantum leap over existing technologies for a wide variety of applications and industries.

With the demands for green technology, as well as having most industries requiring environmental friendly technologies, that are cost effective. I believe Cavitation Technology Inc. is the company that can fill those needs.

Through the company's biodiesel and vegetable oil refining, as well as other expected opportunities the company is exploring. It is believed that the company is capable of generating multiple revenue streams with its unique technology.

Provided the company successfully raises the capital it needs (8.0M) and Cavitation Technologies expands its footprint into various sectors that require complex fluid bonding. In my opinion, I estimate their long term target price to be \$2.00 per share, medium term target price of \$1.20, as well as anticipating a short term target price of \$0.80. (CVAT.OB) is potentially a lucrative investment opportunity for risk-adverse investors.

OVERVIEW



Cavitation Chart

Cavitation Technologies Inc. has the important element to ensure business leadership is successful in all relevant business processes.

The company is focusing on Product and Process Innovation, Supply Chain Management and Customer Support to improve continuously the CTI performance of their products and services.

- Cavitation Technology is committed to exploring all reasonable opportunities to apply their strategies and policies in close cooperation with their customers and suppliers for the benefit of all parties.

Through their communications network, Cavitation Technologies, Inc. monitor their global business activities to ensure that they comply with local laws and regulations.

The company respects all relevant international treaties and conventions. Where appropriate regulations are not yet in place or not enforced by local authorities, Cavitation Technologies apply their own guidelines based on good scientific judgment and sound industry practices.

To identify, minimize and manage relevant risks arising from their products and manufacturing operations. The company communicates openly and consistently with their employees and external stakeholders on the specific risks and our approach to minimize them.

Vision:

The company's vision is to become the worldwide market technology leader in the manufacture and sale of modular fluid processing systems using its multi-stage, continuous flow, hydrodynamic, cavitation-based NANO technology.

Mission:

To make the world better through renewable energy.

Milestones:

December 2006

Company incorporated under the name HydroDynamic Technology, Inc. (dba Cavitation Technologies, Inc.). Corp. Number=C2944825

December 2007

- Proof of Concept. Conducted by Canyon Engineering and Wright Process Systems, our Nano 2000 biodiesel production reactor proved its ability to produce superior quality ASTM-grade B100 (100% Biodiesel) from multiple feedstocks at a rate of 10 to 40 gallons per minute per reactor.

January 2008

- On January 11, 2008 patent application was filed with the USPTO for Apparatus and Method for Generating Cavitation Features in a Fluid Medium (serial No. 11/972,959). This application includes completed design work, process flow, engineering drawings, list of components; construction costs from vendors and subcontractors. Legal work is being conducted by Kelly, Lowry & Kelley, LLP.
- Met ASTM standards for conversion from multiple feedstocks.

September 2008

- Initial test results for oil being extracted from algae using NCT (Nano Cavitation Technology).

October 2008

- Completed reverse merger and became public company: (OTCBB:CVAT).
- Completed Nano Biodiesel Reactor System prototype, BioForce 9000

November 2008

- Filed U.S. Provisional Patent Application Entitled: Method and Flow-through Hydrodynamic Cavitation Apparatus for Alterations of Beverage. Application No. 61/108,720
- Filed U.S. Provisional Patent Application Entitled: Flow-Through Cavitation-Assisted Rapid Modification of Crude Oil. Application No. 61/108,723
- Filed U.S. Provisional Patent Application Entitled: Cavitation Generator. Application No. 61/108,726
- Filed U.S. Provisional Patent Application Entitled: Extraction of oil from Algae by Hydrodynamic Cavitation for Biodiesel Production. Application No. 61/108,728
- Filed U.S. Patent Application Entitled: Apparatus and Method for Generating Cavitation Features in a Fluid Medium. Serial No. 12/144,539 (alcoholic beverages)

December 2008

- Sold first Bioforce 9000 Nano Biodiesel Reactor Skid System.

January 2009

- Delivered 24GPM (gallons per minute) Complete commercial skid system, BioForce 9000

February 2009

- Participated at the National BioDiesel Expo in San Francisco

May 2009

- Inaugural Installation of BioForce 9000 in Moberly, MO
- Ribbon Cutting Ceremony May 30th for Producers Choice Production Plant in Moberly, MO

June 2009

- Completed Initial Testing Trials of Green D+ Degumming Technology
- Filed U.S. Patent Application for Green D+ Degumming Technology
- Entitled: Method for Cavitation Assisted Refining, Degumming and Dewaxing of Oil and Fat Serial No. 12/484,981 Filed: June 15, 2009

Cavitation Technologies Inc. executed a Letter of Intent with Womack Systems, LLC (www.womack-machine.com) for the manufacture of its cutting edge Nano-Cavitation Process Systems.

BioForce 9000 (Biodiesel Technology)

Cavitation Technologies

BioForce 9000

This fully-automated system performs complete transesterification fully converting all mono, di, and tri-glycerides contained in feedstock (such as animal fats and vegetable oils) into methyl esters (biodiesel). The efficiencies of our system reduce energy costs and improve yield resulting in incremental income of up to \$0.10 for each gallon of biodiesel produced compared with industry-standard technology. Which translates into approx. \$1mil savings for 10MGY plant annually, note the ROI could potentially be double the first year of operation. The *Reactor Skid System* is about the size of a subcompact car and is offered in 4 models ranging from 10 gallons per minute (GPM) to 100GPM however it **can be scaled to virtually any size**. The *Bioforce 9000* can be used to retrofit less efficient reactor technology. It can also be incorporated into new or expanding biodiesel production facilities.

- **Costs substantially less than competing technologies.** The industry standard capital investment to build a biodiesel production facility is about \$1 for each gallon of annual production capacity. Our system costs 25% less on average, than conventional technologies. Industrywide our application can potentially save \$100's of millions per year.
- **Our systems demonstrate that biodiesel production can generate an attractive profit.** We estimate that our *BioForce 9000 Biodiesel Production System* can reduce industry standard variable operating expenses by as much as \$0.10 for each gallon of biodiesel produced. This can potentially amount to as much as \$1mil in annual savings for a 10MGY production facility. Reduced energy consumption and multiple feedstock use contribute to our *Bioforce 9000 System* being able to produce ASTM (American Society for Testing and Materials) -grade biodiesel at reduced costs.

With the BioForce 9000 System: CTI offers new generation equipment for producing biodiesel which utilize Flow-Through Nano-Cavitation technology.

BioForce 9000 -Biodiesel is methyl (ethyl) ester, derived from vegetable oils in process of esterification: methanol (ethanol) is added to vegetable oil and processed together with acidic catalyst in NANO reactor.

Continuous biodiesel production

Any vegetable oils feedstock up to 4.5 % F.F.A.

Tallow and WVO up to 3.5% F.F.A.

While processing vegetable oils under 4.5% percent F.F.A. with necessary components in our reactor the molecules of fatty acids are broken apart with microexplosions. The velocity and quality of going of the esterification reaction also increase significantly. Thus not only quality and quantity of pure biodiesel output but also its production rate





Tested at SRS Engineering Facility

All of our skid systems equipped with GE-Fanuc VersaMax PLC & QuickPanel Touchscreen monitor.

Capability to run continues or batch, automated or manual modes. Timer settings available for batch run. Flexible recipe designed to store preset chemical formulas and technical parameters of the system designed for variety of feedstock. Precise dosing assures quality and provides savings in chemical use. Multiple reports capability will help you to stay on top of your production and chemical usage.

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Forward-Looking Statement: This release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements and/or Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 are inherently uncertain as they are based on current expectations and assumptions concerning future events or future performance of the company. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. Risks and uncertainties applicable to the company and its business could cause the company's actual results to differ materially from those indicated in any forward-looking statements.