

Company Update

SUNSI ENERGIES, INC.

SunSi Big Beneficiary of Solar Company's Rise

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May 24, 2011

SUNSI ENERGIES, INC. (OTC:QB – SSIE - \$3.15)

Price Target: \$6.00

Rating: Speculative Buy

COMPANY SNAPSHOT

SunSi Energies, Inc. has emerged as one of China's primary owners and operators of high quality Trichlorosilane (TCS) production facilities. TCS is the main raw material used in the production of polysilicon, which is essential to the solar photovoltaic (PV) industry. Roughly 75-80% of all solar panel production worldwide uses TCS. By leveraging the fast-growing solar market, SunSi expects to enjoy high top-line and bottom-line growth. SunSi is believed to be the first and only "pure play" public company in the world focused 100% on the production of TCS. In addition to its 60% ownership of its Wendeng facility in Weihai City, China, SunSi also owns certain TCS distribution rights. SunSi plans to grow through acquisition, and seeks to become the world's largest TCS producer.

KEY STATISTICS

Price as of 5/23/11	\$3.15
52 Wk High – Low	\$4.00 – 0.86
Est. FD Shares Out.	27.7M
Market Capitalization	\$87.3M
3 Mo Avg Vol	N/A
Exchange	OTC:QB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

After yesterday's close, one of the main proxies for the solar industry, GT Solar International, Inc. (NASDAQ: SOLR) announced strong quarterly financial results and raised its forecasts for its upcoming fiscal year. Specifically, **GT Solar raised its low-end revenue guidance for the upcoming year by over 17%. In our view, this bodes extremely well for SunSi.**

GT Solar is one of the leading equipment suppliers to the PV and polysilicon producers and also has direct exposure to the TCS market through its service offerings.

Investors should view this forecast as a proxy for SunSi and its future results for the following reasons:

1. Both companies sell their offerings to a variety of producers, revealing broad demand for solar, with most of their sales in Asia.
2. SunSi is a leader in the production of TCS, and is solely focused on this product, which is the key to PV production, and thus the solar industry. GT Solar also has exposure in this segment, and we believe that its financial guidance upgrade indicates increased demand for solar in general which directly benefits SunSi's TCS business.
3. Given this demand, SunSi may provide investors with upside surprises or raised revenue guidance.

We believe that SunSi will record \$45M in sales and \$4.0M in net profit in CY11 and increase sales and production by more than three-fold in 2012 to \$140M in CY12 sales and \$15M in net income.

By using a projected forward multiple of 12x on CY12 EPS, we derive a low-end 6-month target of \$6.00. Looking ahead, we forecast that the shares could reach \$12 by year-end 2012, based on our estimates and average industry multiples. This stock is a relative unknown but is rapidly gaining attention due to its unique positioning, and we believe it is incredibly attractive at current levels. A dominant player in its segment of the solar space, we rate SunSi Energies a Speculative Buy.

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Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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