

Company Update

SUNSI ENERGIES, INC.

Four Reasons to Buy the Stock

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SUNSI ENERGIES, INC. (OTC:QB – SSIE - \$3.80)

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 12/30/11	\$3.80
52 Wk High – Low	\$5.00 – 2.49
Est. FD Shares Out.	29.7M
Market Capitalization	\$113.0M
3 Mo Avg Vol	9,700
Exchange	OTC:QB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

We have been bullish on SunSi for quite some time and we believe that recent and upcoming events should serve as catalysts for a break-out year in 2012 for the Company. Here are four reasons to buy the stock:

Reason #1: Financials

SunSi has been operating on an unusual May fiscal year. This has been an impediment in apples-to-apples financial and valuation comparisons. In mid-December, SunSi announced that beginning in the 4Q11 period, the Company will report on a calendar basis. Management will not issue year-end results until March 2012, so we preliminarily forecast FY11 revenue of \$33M - 34M and EBITDA of around \$1.3 – 1.5M. With the aid of additional expansion, we believe that revenue could increase by 35-50% in 2012.

Reason #2: Operations/Environment

The collapse of polysilicon makers such as First Solar (NASDAQ – FSLR – NR) and LDK Solar (NYSE – LDK – NR) due to overproduction and price erosion prompted recent, unwarranted volatility in SunSi's recent trading, creating a great entry point for investors. Furthermore, we believe that the magnitude of potentially slowing sales or any price erosion in the TCS space is likely incremental and not material. Moreover, it is more likely that SunSi is positioned to increase its TCS market share during all portions of the business cycle.

Reason #3: Diversification of Customers

The Company recently secured its first order outside of China and it is likely the start of a strong trend of orders outside China in the first half of 2012.

Reason #4: Movin' on Up

SunSi applied for NASDAQ listing and we expect that it will be approved in the near term, driving interest in the stock, and thus driving its share price meaningfully higher. Upon the execution of an up-listing, stocks usually receive an immediate and sustainable boost in volume, price and valuation.

We continue to rate SSIE a Speculative Buy and believe that the stock will return to the \$5.00 level in the early part of 2012, and reach our \$6.00 price target during 1H12.

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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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