

# Trickle Research

Every raging river, every great lake, every  
deep blue sea starts ... with a trickle



## Research Update



**Cavitation Technologies, Inc.**

(OTC: CVAT)

([www.ctinanotech.com](http://www.ctinanotech.com))

**Report Date: 02/17/21**

**12- 24 month Price Target: \$.10**

**Allocation: 5**

**Closing Stock Price at Initiation (Closing Px: 08/21/19): \$.0325**

**Closing Stock Price at Allocation Upgrade Date (Closing Px: 02/01/21): \$.034**

**Closing Stock Price at Thus Update (Closing Px: 02/16/21): \$.034**

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**Trickle Research**

**Disclosure:** Portions of this report are excerpted from Cavitation Technology Inc.'s filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We just updated (and raise our allocation of) Cavitation about 2 weeks ago (02/02/21). In that update we largely focused on their restart of activities treating produced water from fracking operations in the Permian Basin. As

we noted, that is in our view a highly positive piece of news. However, in that same update we also noted the following:

*In addition to their frack water endeavors, the Company continues to pursue new iterations and applications for their technology as well. A review of the Technology overview of the Company's website supports that view. As the above announcement also suggests, the Company is actively pursuing additional opportunities in the food processing industry as well as in several other water treatment areas. We are hopeful that Cavitation will be able to provide additional color on these initiatives in the coming weeks/months.*

Yesterday (02/16/21) Cavitation provide the following update, which we think ties to our comments above:

***Cavitation Technologies, Inc. Announces an Agreement with Partnership International, Inc.***

*Chatsworth, CA, Feb. 16, 2021 (GLOBE NEWSWIRE) -- via NewMediaWire -- Cavitation Technologies, Inc. (OTCQB: CVAT) (BERLIN: WTC) announces an Agreement with Partnership International, Inc. ("PI") -- an international consulting firm specializing in infrastructure projects that promote sustainable development through renewable energy and clean water supply/treatment investments. Through this Agreement, Partnership International, Inc., will assist CVAT in securing strategic partnerships, financing, and grants for the Company's patented water applications and technologies.*

*Neil Voloshin, CFO/COO of Cavitation Technologies, Inc., stated, "Over the last several years we have made great progress in developing water treatment technologies and applications. Specifically, our joint venture with Enviro-Watertek, LLC. was immensely successful in the treatment of fracked and produced water. Now with the help of Partnership International, Inc. this agreement expands the utilization of our water treatment applications into sectors such as desalination, ballast water, reclamation water in agriculture, produced water and renewable fuels. We believe the addition of our technology in these sectors presents economic value to the company while also providing maximized returns for shareholders. We're excited to be working with Partnership International and ready to execute our business goals in 2021 and moving forward."*

***Tracy Mathieu, Vice President of PI, commented, "Water purification is expensive, requires a lot of energy, leaves a terrible carbon footprint, and is a global problem. We feel that CVAT's patented processes and technologies provide a viable solution to this global problem. Not only is CVAT's innovative technology compact, modifiable, and sustainable in the global marketplace, it requires no harsh chemicals, adds zero emissions, and uses minimal off-grid energy.***

***We're happy that through this agreement, we can help CVAT expand into new sectors with an initial focus on climate vulnerable areas. We have filed the first grant for CVAT's water application technology with the Department of Interior, Bureau of Reclamation, for a desalination project of \$500,000. We believe projects like these present extraordinary opportunities for CVAT to demonstrate the value of their technology in promoting sustainable development."***

***About Cavitation Technologies, Inc.***

*Founded in 2007, the company designs and manufactures innovative flow-through devices and systems, as well as develops processing technologies for use in edible oil refining, renewable fuel production, water treatment, and alcoholic beverage enhancement. The company's patented Nano*

*Reactor® systems and various technologies have over 40 patents issued and filed both domestically and abroad. <http://www.ctinanotech.com/>*

***About Partnership International, Inc.***

*Partnership International Inc., established in 1990, comprises a team of experts that provide regulatory, institutional, technical, commercial and financial advisory services to clients on projects that promote sustainable development through infrastructure investments. PI is recognized for delivering pragmatic, market-driven solutions for public and private clients across multiple industries and sectors. Through offices in Washington, DC, and in the field, our staff targets meaningful sectoral reforms to stimulate sustainable economic growth in developing and emerging markets worldwide.*

We think the above announcement represents the “*additional color on these initiatives in the coming weeks/months*”, we alluded to in the prior update.

Recognize, our initiation was largely based on three primary legs.

First, they had an established and (albeit modestly) profitable international business with their partner Desmet Ballestra. That continues today and includes an annual minimum license payable by Desmet. This arrangement, while not as fruitful as the Company has hoped over the years, remains intact and continues to “pay the bills” at Cavitation. Keep in mind, as a result of this arrangement, Cavitation has not had to raise money for the past several years. We believed at the time of our initiation and continue to believe today that this arrangement can continue to provide increasing value to Cavitation.

Second, their activities in the oil patch (specifically the Permian Basin) could become a significant contributor. While that notion was set back by the pandemic, it is beginning to gather momentum once again. We believe calendar 2021 will reflect the breakout of that opportunity and (barring another stark setback in Permian production and/or oil prices more generally) should result in record and meaningful profits in fiscal year results and beyond.

Third, we have been of the view that the Company would make additional progress from various iterations/applications the Company has developed around the core technology platform. We have been monitoring some of these potential iterations for some time now and the above announcement provides some support for our belief that these efforts may ultimately lead to additional lines of business. This particular arrangement may be an optimal fit in that regard. From the release, we expect Partnership International to first help Cavitation identify and win grants around the development and use of their technology in various water treatment/purification applications and then help cultivate customers for those same applications. Keep in mind, Cavitation’s approach is to largely develop and essentially license its technology, which is reflected in its nominal ongoing overhead and working capital requirements. Moreover, grants would provide them (non-dilutive) R&D capital required to develop some of these additional applications. Additionally, beyond this new arrangement, we believe the Company has been working on other opportunities in the food processing business with among other things, its new low pressure nano (“LPN”) form factors. While we know some of those efforts have been slowed by the pandemic, we suspect they will continue to pursue some of those efforts as well.

Again, we see this new initiative as both validating of the potential breadth of Cavitation’s intellectual property, as well as constructive toward the development of new avenues of business, revenues, and profits for the Company. In short, we think the stars are beginning to align at Cavitation in terms of adding new business. We are inclined to raise our targets based the restart of effort in the Permian in combination with the potential for this

arrangement to bear fruit. We will hold that thought until we can gather a bit more clarity on each. For now, we reiterate our allocation of 5 and our \$.10 price target.

## Projected Operating Model

<b>Cavitation Technology, Inc.</b>						
<b>Projected Operating Model</b>						
<b>Prepared by Trickle Research</b>						
	(actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	<b>9/30/20</b>	<b>12/31/20</b>	<b>3/31/21</b>	<b>6/30/21</b>	<b>Fiscal 2021</b>	<b>Fiscal 2022</b>
<b>Income Statement</b>						
Revenue	\$ 418,000	\$ 418,000	\$ 522,998	\$ 615,653	\$ 1,974,651	\$ 3,204,020
Cost of revenue	\$ 11,000	\$ 30,720	\$ 34,920	\$ 38,626	\$ 115,266	\$ 184,161
Gross profit	\$ 407,000	\$ 387,280	\$ 488,078	\$ 577,027	\$ 1,859,385	\$ 3,019,859
General and administrative expenses	\$ 310,000	\$ 345,900	\$ 351,150	\$ 355,783	\$ 1,362,833	\$ 1,460,201
Research and development expenses	\$ 6,000	\$ 11,078	\$ 11,542	\$ 11,851	\$ 40,470	\$ 50,492
Total operating expenses	\$ 316,000	\$ 356,978	\$ 362,691	\$ 367,633	\$ 1,403,303	\$ 1,510,693
Loss from Operations	\$ 91,000	\$ 30,302	\$ 125,387	\$ 209,394	\$ 456,082	\$ 1,509,166
Gain on settlement of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other expense, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxable Income	\$ 91,000	\$ 30,302	\$ 125,387	\$ 209,394	\$ 456,082	\$ 1,509,166
Income Tax Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Loss	\$ 91,000	\$ 30,302	\$ 125,387	\$ 209,394	\$ 456,082	\$ 1,509,166
Net loss per share, Basic and Diluted	\$ 0.000	\$ 0.000	\$ 0.001	\$ 0.001	\$ 0.002	\$ 0.007
Weighted average shares outstanding, Basic and Diluted	196,997,906	198,097,906	199,197,906	200,297,906	198,647,906	202,772,906

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### **Rating System Overview:**

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ( $\$250 * 4$ ). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

**For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.**

**A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.**

**A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.**

**A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.**