

Undervalued - Houston Natural Resources OTC: HNRC - Q2 Revenue of \$5.13M, +41% Y/Y, \$74M Assets, \$0.18 EPS - Energy Sector Stocks PE Ratio 10.7 (\$0.18 x 10.7 = \$1.92/share) Take a Look!

Houston Natural Resources Corp. (OTCMKTS:HNRC) is a diversified energy company with oil and gas interests as well as wastewater treatment facilities. The Half Oil Field in Crockett County, Texas, 83 oil wells, estimated 33 million barrels of oil and water treatment and appraised reserves of \$69 million. Additionally, the company owns over \$53 million in non-energy assets which it will spin off into Worldwide Diversified Holdings, Inc. (WDHI) in 2022. HNRC Shareholders of record prior to the end of Q3 2022 will receive equity in WDHI based on shares owned in HNRC. The company will continue to seek new oil and gas and wastewater acquisitions as it focuses on creating more value for HNRC investors."

The Company announced that, effective June 30, 2022, the Board of Directors has approved the transfer of the non-energy investments of \$53,307,324 in exchange for 10,661,465 common shares of Worldwide Diversified Holdings, Inc at \$5.00 per share. The Company received the requisite stockholder approval granting the Board of Directors the authority to affect the transfer of the assets and approve the dividend to the shareholders.

TECHNICAL

Houston Natural Resources' (OTCMKTS:HNRC) shares are ready to advance after pulling back to the \$0.21 cent level. We see a major shift in sentiment for Houston Natural Resources (OTCMKTS:HNRC) shares as they shift their emphasis towards Oil & Gas production driving these shares significantly higher. We look for a move above the \$1.00 level in the short-term.

KEY STATISTICS

Price as of 07/15/22	\$0.21
52-Week High - Low	\$0.15-\$2
Est. Shares Outstanding	30,407,789
Market Capitalization	\$6,385,636
Average Volume	82,843
Exchange	OTC

Source: Yahoo Finance / OTC Markets

RECENT NEWS

"Dividend to Shareholders" and with the completion of the transaction, the company will now be focused on (i) acquisitions of income producing oil and gas properties, (ii) expansion of its wastewater treatment facilities, (iii) additional equipment for the existing 83 oil well rework project and (iv) on completing its listing onto the OTCQB.

September 27, 2021 - HNRC announced HNRC owns 100% of the shares of its subsidiary, HNR Oil Services LLC, a Texas limited liability company, specializing in recycling and remediation of oil produced contaminants. HNRC owns and operates a licensed reclamation plant strategically located in South Texas.

September 22, 2021 - HNRC announced that it expects the company and its subsidiaries to report strong future growth from multiple revenue streams.



ABOUT

The oil and gas industry has seen a recent decline due to regulation recently passed by the Biden Administration hurting the entire sector. We feel that this decline is temporary and as the resulting price increases in gasoline and oil products take hold, drillers will once again reap the profits through more drilling, more wells and more well reconstruction.

The company intends to rework 83 wells and become a producer in addition to its well water remediation business.

FINANCIAL

Revenues year over year have increased threefold to \$9.3 million with a \$3.1 million gross profit with a net income of \$2.9 million. With 11 million shares outstanding these shares have **all the right stuff**

COMPANY BACKGROUND



RECENT NEWS (Contd.)

The Company's subsidiary Houston Natural Resources, Inc ("HNRI") has a wholly owned subsidiary, HNR Oil Services LLC that owns a licensed, multifaceted recycling facility that provides environmental remediation and protection for both the planet and its producer.

Aug. 19, 2021 - HNRC outlined today its plans over the next ninety days for its subsidiary Houston Natural Resources, Inc.

Announce a target acquisition to increase revenue and assets.

Increase the volume at its water treatment facility, operated by its subsidiary HNR Oil Services LLC, from the more than 1,000 truckloads per month currently being processed.

Houston Natural Resources has emerged as an important player in the recycling and remediation industry in recent times. The company may enjoy a competitive advantage over its peers due to its advanced technology and also because of the deployment of processes that are both socially as well as environmentally safe.

However, the technology development by a company has to be deployed in specific industries so that revenues could be generated. Houston Natural Resources has planned to build its facilities in those regions in which oil is produced and there is the presence of active wells.

The Houston Natural Resources Oil Services division seeks to provide its state-of-the-art technology to these regions. The company is looking to provide its recycling technology to as many active oil wells as possible which are producing oil and gas. In this way, Houston Natural Resources would not have to be dependent on the possibility of the drilling of new oil wells or the fluctuation in the prices of oil. To that end, the company is currently engaged in the building of a large complete recycling facility in the state of Texas that is going to be one of a kind.

This plant is meant to help in the elimination of old-school disposal methods with regards to the disposal of by-products from oil drilling and eventually help in reducing pollution. In addition to that, the company is currently working on building a team of knowledgeable and skilled professionals who can help in making Houston Natural Resources a major name in the recycling and remediation industry.

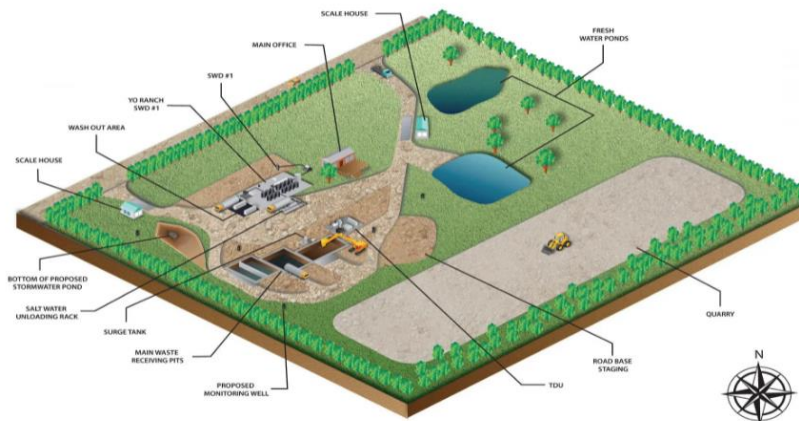
How It Will Work

If investors are to have an understanding of a company, then in addition to its core business, it is also necessary for them to know about the specific way in which the whole thing is going to work. Merely an overview of the aims and expectations of the company is not enough. Without further ado, it is important for investors to take a closer look at the Licensed Reclamation Plant that the company is currently building in the South Texas area.



The company calls it a 'trailblazing facility' that is going to bring about meaningful change when it comes to the reduction in pollution. The disposal methods from oil drilling remain one of the biggest reasons behind environmental harm and this facility is going to use the innovative technology from Houston Natural Resources to get rid of the harmful methods that are currently used in the industry.

More importantly, the facility is also going to help in controlling pollution by reducing costs significantly with regards to the control of oil field waste.



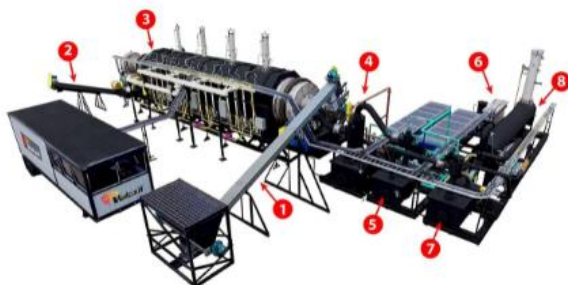
It is important for investors to note that Houston Natural Resources has managed to acquire the necessary permits by way of which it is going to be able to operate a number of oilfield waste recycling plants of its own.

The company has noted that the land it has acquired for the different facilities have considerable land area and hence, there is enough space for storing equipment, gravel mining, and also for expansion of the facilities in the future. The facility that is being built in South Texas at this point in time is going to have a capacity of taking care of as much as 25,000 barrels of recycled salt water and fracking fluids among others.

In addition to that, the facility is also going to have a thermal desorption unit of its own. This particular unit is going to be responsible for cutting materials that are heated to a temperature of as much as more than 640 degrees Fahrenheit. It is an important aspect of the plant and is meant for helping with vaporizing all the oil and water from cuttings.

Now that you have an idea about the nature of the facility, it is important to note how it is going to be managed and supervised. The company has stated that

HNR Oil Services is going to be run by highly experienced and seasoned personnel from the oil industry. Many of them are going to be part of the staff and on the other hand, some of them are going to be employed as consultants. Houston Natural Resources has claimed that the multifaceted facility is going to position the company as one of the leading lights of the environmental remediation industry.



The Industry

Before going further, it is necessary for investors to get an idea about the nature of the industry in which the company seeks to operation and the sort of scope that lies there. It could be said that Houston Natural Resources is involved in what is broadly known as the 'water industry'. The company is involved in producing clean water that is in turn used in the process of oil drilling.

The water is mainly used in order to clear the mud that is encountered during the course of oil drilling. The water also serves the purpose of cooling the drilling unit. In addition to that, investors ought to note that the oil and gas and oil services industries have both made a roaring comeback in recent times primarily due to the remarkable rise in the rise of commodities.

Hence, more oil wells are going to be drilled by oil companies and that is going to result in higher demand for water cleaning services from companies like Houston Natural Resources. Back in 2020, the worldwide wastewater and water market had a valuation of as much as \$263.07 billion. It has been projected that the valuation of the market could hit a staggering \$500 billion by 2028. That reflects a compound annual growth rate or CAGR of as much as 7.3% from the year 2021 through to 2028.

As the market continues to rebound and slowly but surely gets back to the levels before the pandemic, the industry is only going to grow and that can only be a good thing for Houston Natural Resources in the long term.

Investment Highlights

Now that you have a thorough idea about the nature of the company, its business, and the industry in which it is involved, it is time for you to take a look at some of the factors that might make Houston Natural Resources a compelling investment option.

A. Potential of HNR Oil Services

It could be said that the company's subsidiary unit HNR Oil Services could well be the main driver of growth in the near future and that is possibly one of the more important things that investors out to keep in mind when considering the stock.

Earlier this year on September 27, Houston Natural Resources made an announcement with regards to the fact that it had become the 100% owner of HNR Oil Services. HNR Oil Services is responsible for the collection of fluids that are produced from oil drilling and then disposing of those fluids at the disposal well that is owned by Houston Natural Resources. It is a business that has considerable upside due to the implications for the environment and for pollution control.

B. Multiple Revenue Streams

At the end of the day, investors need to have a fair idea about the source of revenues for a company so that they know what they are getting into. Earlier this year on September 22, Houston Natural Resources enumerated the five streams of revenue for its business. The first source of revenue is from the fees that the company will earn by way of the wastewater disposal services that it provides to producers. The company also stands to generate revenues from the oil that it manages to recover from water treatment.

Houston Natural Resources is also working on developing as many as 83 existing wells and stands to make money from future gas and oil sales. The completion of the building of the Thermal Distortion Unit in the first quarter of next year is also expected to bring in revenues in the \$500,000 to \$1 million range.

C. 90-Day Plan

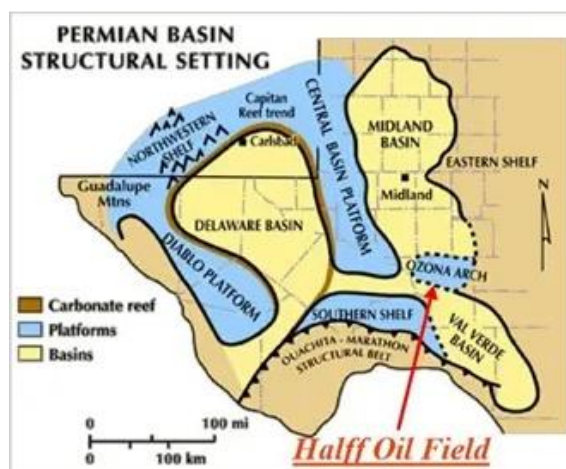
It could be a good idea for investors to note that Houston Natural Resources announced in August this year that it had put in place a 90-day plan for fast expansion, growth, and acquisitions. The company is looking to announce an acquisition target soon with the aim of boosting its assets and revenues.

In addition to that, the company is also looking to boost the capacity of its current water treatment facility in order to generate higher revenues. On the other hand, the installation of the equipment it has purchased recently is another major aspect of this 90-day plan and on top of that, Houston Natural Resources is also looking to rework its 83 wells. Last but not the least, listing the stock on a major stock exchange is also on the agenda.

D. Reworking Oil Wells

Another major investment highlight with regards to Houston Natural Resources is the fact that the company has decided to make plans for reworking the 83 wells that it has under its control.

The move is a significant one for Houston Natural Resources considering the fact that reworking the wells is going to help the company in developing \$69 million worth of reserves that it owns at the Half Oil Field. It represents significant assets and according to estimates put forward by the company, it makes up a per-share value of as much as \$4.60 a share.



E. Strong Third-Quarter Projection

Last but certainly not least, the projection from the company about the near future is also an important factor for investors when it comes to gauging its prospects. Earlier on in September this year, Houston Natural Resources had announced that it was expecting to post strong results in the third fiscal quarter that was to end on September 30, 2021.

The company also noted that over the course of the past two years, it had managed to double its assets to as much as \$73446688. At the end of the quarter on June 30, 2021, the value of its net assets had stood at \$4.76 a share.

Key Management

A company might have everything going for it starting from product to clients. However, without the presence of a capable management team, the possibility of significant success declines. Here is a look at some of the key members of the management team at Houston Natural Resources.

Frank Kristan, Director & President

Frank Kristan has more than 30 years of experience in the financial services industry. He became the President of Ludvik Capital, Inc and its successor Ludvik Holdings, Inc in 2005 that provides advisory services to private and public companies and is focused on making investments to increase revenues and portfolio value.

Donald H. Goree, Chief Executive Officer, and Chairman

Having worked in the oil and gas industry for more than four decades, Goree is possibly the most suited candidate for an emerging company like Houston Natural Resources. He was worked in a range of roles related to different aspects of the industry starting from exploration to natural gas gathering to gas liquefaction and gathering. Under his leadership, Houston Natural Resources has also managed to move forward at a handsome clip.

Donald W. Orr, President

Orr is an expert geologist with a degree and has been working in this particular profession for more than 42 years. He has invaluable experience in production-related operations and petroleum geology. More impressively, it might interest investors to note that throughout his career Orr has been responsible for the drilling of as many as 250 oil wells and has a success rate of a handsome 70%. Hence, it can be said that Houston Natural Resources is in safe hands with Orr as its president.

David Elks, Manager And President, HNR Oil Services LLC

David Elks has over 35 years' experience in the oil and gas industry. Mr. Elks has built, installed, and operated multiple oil and gas processing plants and facilities in and outside of the US, including but not limited to, crude oil topping plants, pipe line products recycling, drilling waste recycling, and waste oil recycling plants. Mr. Elks has owned and operated several oil service companies, supervising work-over rigs and machine shops; also Mr. Elks has supervised oil field mechanics and roustabout crews related oil field gathering facilities. Mr. Elks owned and operated multiple oil and gas fields.