



HiTec Energy Limited

2008 Annual Report

Corporate Directory

Directors & Officers

N Coldham-Fussell AO
Chairman

A Scott
Managing Director

MH Titley
Non-Executive Director

DR Teplitzky
Non-Executive Director

RG Ledger
Company Secretary

PD Moore
General Manager Marketing

Y Sharma
General Manager Technical

Principal & Registered Office

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West Perth WA 6005

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Facsimile: +61 8 9321 6001

Postal Address:

PO Box 1597
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Stock Exchange Listing

Australian Stock
ASX Code: HTE

Auditors

BDO Kendalls Audit & Assurance
(WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

Bankers

National Australia Bank Ltd
1232 Hay Street
West Perth WA 6005

Solicitors

Salter Power Pty Ltd
6 Kings Park Road
West Perth WA 6005

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands WA 6009

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Australian Business Number

38 009 113 160

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Chairman's Report

The very significant price increases seen during the year for manganese ores and products has provoked a change in priorities for HiTec, from a total focus on commercializing the company's intellectual property to a combined focus on that objective, plus establishing a lump ore mining business based upon its Ant Hill and Sunday Hill manganese mining leases located in the Pilbara district of Western Australia. These two strategies are complementary and the change in priorities does not indicate a fundamental change in direction for the company.

In making this change, the challenge for HiTec was to take advantage of a window of opportunity for ore sales, in a competent manner that would increase the chances of a prolonged revenue stream, whilst minimizing the dilutive effect on existing shareholders of raising additional capital and optimising the company's chances of creating a secondary processing operation on its Boodarie Industrial Estate general purpose lease at Port Hedland.

Your Directors believe that these objectives have been well met by the signing in April this year of a Farm-In and Joint Venture Agreement with Auvex Resources Limited, under which Auvex may acquire a 50% interest in the company's two mining tenements, and associated exploration tenement applications, by the payment of A\$1m to HiTec in recognition of expenditures on the leases up to 2007, plus the payment of the first A\$7.25m of project costs. Activities have commenced on the leases and it is anticipated that an initial ore shipment will be achievable within this calendar year and without HiTec having to raise additional funds to finance the project.

The establishment of a manganese lump ore export operation based upon the resources of the Ant Hill and Sunday Hill mining leases will also result in the mining and processing of low grade manganese fines ore plus, to the extent that it cannot be readily beneficiated, low grade manganese chip ore. It is intended that these otherwise unsaleable bi-products of the mining operation will also be trucked to Port Hedland and stored on the company's general purpose lease at Port Hedland for later use as feedstock for a secondary processing project to be developed on that site.

Having pursued and implemented the new mining strategy over recent months, HiTec is now strongly focused upon the long term strategy of demonstrating its secondary processing intellectual property at full production scale. In this regard, the Boodarie project is our main priority as the necessary feedstock will now be available and the capital costs involved can be significantly constrained. The latter can be achieved by phasing the project and by taking advantage of work done in preparation for the Halol project, plus partially funding it by taking a joint venture approach and utilizing the expected strong mining cash flows.

Looking forward over the next few years we see a good and improving market context within which HiTec should be able to achieve its near term goals and establish a profitable business for the long term that will benefit shareholders through increase in the value of their shares and potentially through dividends



NORMAN FUSSELL, Chairman

Review of Operations

At a management level, the operating activities in the last eight months of the financial year under review have been predominantly concerned with the establishment of a manganese lump ore export business based upon the ore resources at Ant Hill and Sunday Hill. With the appointment of Auvex Resources Limited as the manager of a farm-in and production joint venture in April 2008, HiTec's focus has shifted to the definition of an offtake strategy for the ore, which is its area of responsibility under the joint venture arrangements.

In this regard, the strategy Auvex and HiTec have agreed, is to pursue offtake an agreement with a manganese alloy producer for whom the high iron content of its ferruginous manganese ore is neither seen as a cost nor a complication in smelting. Both parties believe strongly that the successful implementation of such a strategy has the potential to enhance future cash flows from the project, by extending the window of opportunity for ore sales through any period of reduced sales prices and by maximizing the tonnage of ore mined from the tenements over time.

By the time of writing, approvals have been received for an initial drilling programme on both leases, to follow up geophysical studies completed earlier in the year and to support to recommencement of mining activities at Ant Hill in previously disturbed areas. Applications for wider mining activities are in the process of being prepared and are expected to be submitted to the Western Australian Department of Industry & Resources by the end of September this year.

Our objectives for this project are very clear. A small, but very well conceived and run mine, producing a minimum of 200,000 tonnes per annum of 40%+ manganese lump ore, for as long as the market conditions will allow.

During the year considerable effort has also been expended on process refinement studies and particularly those relating to the joint production of manganese electrolytic products (ie, either electrolytic manganese dioxide or electrolytic manganese metal) with high value manganese fertilizer products (ie, a manganese rich micro nutrient fertilizer or a high value granulated manganese sulphate.

These efforts, which included a scoping study, indicated that a 25,000 tonnes per annum granulated manganese sulphate plant could be built at Boodarie for under A\$20m and would produce strong long term return on investment. This plant would consume the low grade fraction of the ores mined and would produce a readily saleable product, either as a standalone product for the long term, or as a co-product of electrolytic manganese dioxide and micronutrient fertilizer production, or as an interim step towards the production of the latter products.

In the second half of 2008, HiTec will seek to advance this project rapidly by seeking joint venture partners and offtake arrangements. Work is also expected to commence on revising the manganese sulphate feasibility study completed previously, by incorporating current costs and process improvements subsequently adopted.

Given the very positive market conditions prevailing for HiTec's intellectual property and the products that it can facilitate, we look forward to a busy and productive twelve months.



ALAN SCOTT (Managing Director)

Directors' Report

For the year ended 30 June 2008

The Remuneration Report set out on page 8 and 9 also forms part of this Directors' Report.

DIRECTORS' INFORMATION

Names and Particulars

The names and particulars of the directors in office at the date of this report and at any time since the date of the previous report are:

N Coldham-Fussell	Company Director, 48 years experience,	Non-Executive Chairman
A Scott	Company Director, 42 years experience.	MD & CEO
MH Titley	Company Director, 44 years experience.	Non-Executive Director
DR Teplitzky	Company Director, 46 years experience.	Non-Executive Director

The independence of the Chairman and the two non-executive directors is ably demonstrated by their behaviour as board members. None have shares, options or other interests in the company that could reasonably be interpreted as compromising this independence.

Directors' Meetings

There were seven board meetings held during the year ended 30 June that directors were eligible to attend 2008. With the exception of Mr Teplitzky, who attended five meetings, all other directors were present at each meeting.

Norman Coldham-Fussell (AO, FCPA, FAusIMM, FCIS, FAIM, FAICD)

Mr Fussell was appointed Director and Chairman on 16 August 1999. He has vast experience in the resources industry encompassing general management, finance, marketing and project development. He was MD & CEO of MIM Holdings Ltd from 1990 to 1995, Chairman of Flight Centre Limited from 1995 to 2005, and is currently a director of Namoi Cotton Co-operative Ltd. He holds (directly and indirectly) 2,330,001 ordinary shares and no options in the company.

Alan Scott

Mr Scott was appointed as MD and CEO on 20 May 2002. He is Chairman of Black Range Minerals Limited and was previously MD and CEO of Aurora Gold Limited. He spent 22 years with Rio Tinto Limited, in senior level JV management, finance, acquisition, divestment and commercial negotiation roles. Mr Scott spent 13 years with Coopers & Lybrand in Australia, Canada and the UK, gaining extensive experience in the resources industry during that time. He holds (directly and indirectly) 924,921 ordinary shares and 1,500,000 unlisted options in the company.

Marcus Hugh Titley

Mr Titley was appointed Director on 8 June 1998. Prior to that he had 36 years experience in the stock broking industry notably State Manager of JB Were & Son, Stockbrokers, in Queensland from 1978 to 1996 before retiring from the industry. Mr Titley is Chairman of Mind Challenge Limited and, in his capacity as a private investor, holds directorships in a number of unlisted companies. He holds (directly and indirectly) 10,500,000 shares and no options in the company.

Directors' Report (continued)

David Raymond Teplitzky

Dr Teplitzky was appointed Director on 18 March 2002. He is currently Chairman of the US based integrated circuit memory group Symetrix Corp. He was formerly Chairman of Macquarie Goodman Management Limited, Managing Director of Formica Australia Limited, Managing Director of Lederle Pharmaceutical Limited, Director of American Cyanamid Company and has represented venture capital interests, as a director of various technology companies in Australia and SE Asia. He holds (directly or indirectly) no shares or options in the company.

COMPANY SECRETARY INFORMATION

Mr Greg Ledger was appointed Company Secretary on 24 November 1995 and has held that position, as well as other accounting and managerial roles, since that date. Mr Ledger is a Bachelor of Commerce (UWA) and is a practicing Chartered Accountant.

PRINCIPAL ACTIVITIES

During the year, the principal activity of the company continued to be the commercialisation of its mineral processing technologies through the development of an electrolytic manganese dioxide project utilizing them or through their licencing to third parties. As an integral party of these activities, the company has initiated mining activities on its two long held mining tenements located in the Pilbara district of Western Australia with a view to undertaking secondary processing of the lower grade ore fraction in a new plant proposed to be constructed at Port Hedland. The higher grade ore fraction generated by the mining will be exported with the revenues generated to be used in part to finance the domestic secondary processing operation.

FINANCIAL RESULTS

The profit from ordinary activities after income tax for the year ended 30 June 2008 was \$35,530 (2007 loss: \$848,673).

DIVIDENDS

No dividend has been declared or paid by the company since the end of the previous financial year and up to the date of this report. The directors do not recommend that a dividend be paid. There was no dividend paid in the previous financial year.

REVIEW OF OPERATIONS & FUTURE DEVELOPMENTS

The company's activities during the year and the projects it is pursuing are outlined in the Review of Operations section of this Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The farm-in and joint venture agreement concluded with Auvex Resources Limited in April 2008, under which mining activities have been recommenced on the company's Ant Hill mining lease, constitutes a significant change in the state of the company's affairs during the year. It is expected that this agreement, together with the joint sales arrangements concluded, will have a significant positive impact on cash flows of future years.

Directors' Report (continued)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material or unusual nature, which is likely in the opinion of the Directors, to affect substantially the operation of the company, the result of those operations and the state of affairs of the company in the financial year subsequent to 30 June 2008.

SHARE OPTIONS

No options were issued or exercised during the financial year and, at the date of this report, 20,050,000 unlisted options over shares in the company remained outstanding:

- (i) 1,500,000 unlisted options issued pursuant to the Employee Option Incentive Scheme (EOIS):

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,500,000	7.6¢	24/11/2008

(NB: During the year, 1,000,000 options at an exercise price of 7.6¢ expired.)

- (ii) 18,550,000 unlisted options issued to the previous holders of contributing shares:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
9,000,000	3.4¢	31/10/2010
2,800,000	6.9¢	31/10/2010
2,250,000	10.9¢	31/10/2010
4,500,000	16.9¢	31/10/2010

DIRECTORS AND OFFICERS INSURANCE

The company has paid insurance premiums to insure the directors and officers against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Details of the nature of the liabilities insured against, and the amount of the premiums paid, are subject to a confidentiality clause under the contract of insurance.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is included in this Annual Report at page 15.

Directors' Report (continued)

ENVIRONMENTAL REGULATION

The company's operations are subject to various environmental regulations under both Commonwealth and State legislation. The directors have complied with these regulations and are not aware of any breaches of the legislation during the financial year.

NON-AUDIT SERVICES

The external auditor did not perform any non-audit services during the years ended 30 June 2007 and 2008.

This report, which includes the accompanying Remuneration Report, is signed in accordance with a resolution of the directors.



ALAN SCOTT
Managing Director
4 August 2008

Remuneration Report

For the year ended 30 June 2008

This report forms part of the Directors' Report and details the nature and amount of the remuneration of directors. The information contained herein has been subject to audit and is covered by the auditor's report set out on pages 13 and 14. As the board members alone are responsible for the governance of the company, there are no remuneration details for 'key management persons' or 'specified executives' included in this report.

REMUNERATION POLICY

The company's remuneration policy was developed and approved by the board to align director and executive objectives with shareholder and business objectives. The directors believe that the remuneration policy is appropriate and effective in its ability to attract and retain those persons required to manage the company, as well as create goal congruence between directors, executives and shareholders.

All directors and executives receive a fee or salary that is inclusive of requisite and optional superannuation amounts. From time to time, directors and executives may be issued options under the EOIS, subject to approval by shareholders in general meeting. These options have a performance based element to them in that the exercise price is set at 125% of the share price at the time the options are issued to encourage option holders to strive for an improvement in the company's share price over time. The board considers this a reasonable hurdle that will encourage attainment of results that are mutually beneficial for shareholders and optionholders. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Executive directors and executives allocate superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology and expensed.

The board policy is to remunerate directors and executives at market rates for comparable companies for time, commitment and responsibilities. Independent external advice is sought when required. Neither directors' fees nor salaries are subject to performance based hurdles, as such remuneration practices are not considered appropriate at this stage in the company's development.

REMUNERATION LINK TO COMPANY PERFORMANCE

The performance of directors and executives is measured, against criteria agreed with each employee with the objective of promoting growth of shareholder value. Whilst the market capitalisation of the company has recently increased markedly and is now 20% higher than it was five years prior to the date of this report, the company's share price during this period has, in the main, languished well below its current levels for the majority of that time. The directors have considered this fact, together with the fact that no dividends have been paid or capital returned over the last five years and, while the causes were considered to be outside their control, have nevertheless held directors' remuneration constant at 2002 levels.

COMPANY OFFICER EMOLUMENTS AND EMPLOYMENT CONTRACTS

There were no options issued during the year, the prior year or subsequent to the year end, to any officer of the company. Other than the Managing Director, who has performance based options, no officer, whether employee or contractor, has a performance based element to his or her remuneration package. No employment contract exceeds 12 months.

Remuneration Report (continued)

DIRECTORS' EMOLUMENTS AND EMPLOYMENT CONTRACTS

Details of the nature and amount of the emoluments of each director are:

2008	Short-term Employee Benefits \$	Post Employment Benefits \$	Long-term Benefit \$	Share- based Payments \$	Total \$
N Fussell	45,500	4,500	-	-	50,000
A Scott	230,000	45,000	10,327	-	285,327
MH Titley	22,932	2,068	-	-	25,000
DR Teplitzky	24,138	862	-	-	25,000
	322,570	52,430	10,327	-	385,327

2007	Short-term Employee Benefits \$	Post Employment Benefits \$	Long-term Benefit \$	Share- based Payments \$	Total \$
N Fussell	45,500	4,500	-	-	50,000
A Scott	237,441	37,559	10,303	-	285,303
MH Titley	22,936	2,064	-	-	25,000
DR Teplitzky	22,936	2,064	-	-	25,000
	328,813	46,187	10,303	-	385,303

The remuneration structure for directors seeks to emphasise payment for results through providing reward schemes such as the EOIS. Presently, Mr Scott holds current options in the amount of 1,500,000 with expiry date of 24 November 2008. From time to time, non-executive directors have also participated in the EOIS. All options issued under the EOIS vest immediately, have a five year term and have an exercise price equal to 125% of the average of the closing price for the five days prior to issue. No performance-related income is therefore fixed and no cash bonuses were paid in the current or prior year.

Names and positions of directors in office at any time during the financial year are detailed in the Directors' Report. There are no 'key management persons' or 'specified executives' as the directors are accountable and responsible for the strategic direction and operational management of the company. All shares held by directors, whether directly or indirectly, are as the result of private investment rather than resulting from remuneration policy.

The employment conditions of the sole executive director, Mr Alan Scott, were formalised in a letter of employment dated 20 May 2002. The company may terminate his employment, for reasons other than serious and wilful misconduct, by giving at least six months notice in writing, or by the payment in lieu of notice of an amount equal to six months remuneration, each increasing by one month for every completed year of service.

Mr RG Ledger, who provided company secretarial services on a contracting basis, received fees of \$31,060 (2007: \$34,250). There were no amounts paid to Mr Ledger for superannuation.

Corporate Governance Statement

For the year ended 30 June 2008

This statement outlines the main corporate governance practices that were in place throughout the financial year. These practices encompass the eight core principles and recommendations of the ASX Corporate Governance Council, unless otherwise noted.

BOARD STRUCTURE

The board structure and directors' information is as set out in the main body of the Directors' Report. None of the board committees for nomination, audit or remuneration as recommended by the ASX Corporate Governance Council were formed, as the directors considered their formation unhelpful, unnecessary and overly bureaucratic, given the size and nature of the company. All significant issues, whether of an operational or corporate governance nature, are considered and decided upon by the full board. For similar reasons, no formal code of conduct for directors, employees or contractors has been adopted.

The directors believe that this board structure is effective for the current range of duties of the board to be properly discharged. Once the company moves into an operational phase, a different board structure may be appropriate that includes directors with appropriate operational or specialist experience. Director appointments are based on the Board as a whole considering the skills, experience and expertise they bring to the company.

BOARD OPERATION

The board is responsible for the overall governance of the company including setting strategic direction, establishing goals for management, monitoring the achievement of these goals and ensuring that management has the resources required to complete its tasks. To these ends, the board has established a framework for the management of the company including an overall framework of internal control, risk management and ethical standards. The managing director has the responsibility for guiding management in carrying out effectively tasks and achieving objectives.

The board meets at a minimum on a bi-monthly basis, with a comprehensive set of board papers issued prior to the meeting for consideration and discussion. Informal exchanges between board members, as and when issues arise, occur frequently by both telephone and email. Direct interaction between directors and all staff or contractors is encouraged to ensure directors are fully informed. The independent directors are aware of their rights to seek independent professional advice at the Company's expense when they deem this necessary.

FINANCIAL COMPLIANCE

Financial statements are submitted to the board six monthly for review and approval. The veracity of these financial statements is attested to in writing by the Managing Director. The external auditor attends board meetings when required to discuss any accounting and auditing issues and to address issues raised by directors. A representative of the external auditor also routinely attends the AGM, to answer shareholder questions about conduct of the audit and his report thereon. The financial compliance responsibilities of the board include:

- ensuring that an appropriate internal control system is established and maintained;
- ensuring that the accounting and reporting systems can provide the requisite information on an accurate and timely basis;
- nominating the external auditor and liaising periodically with the audit partner to ensure that the annual audit and half-year review are conducted in an effective manner;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- monitoring compliance with the legislative or regulatory requirements of the various parties that oversee corporate existence including, the Australian Securities and Investment Commission, the Australian Stock Exchange and the Australian Taxation Office.

Corporate Governance Statement (continued)

SHARE TRADING POLICY

To ensure that ethical standards are upheld and that informed parties are prohibited from buying and selling or otherwise dealing in securities of the company whilst in possession of price sensitive information that, in accordance with the Corporations Act 2001, has not been made public or is otherwise not generally available, the company has formulated a policy for directors employees and contractors concerning dealings in company securities. This policy is as follows:

A director or employee or contractor may only purchase, transfer, or otherwise deal in securities of the company during a thirty day period commencing three days after:

- the release of an annual report to the ASX;*
- the release of a half yearly financial report to the ASX;*
- the release of a quarterly report to the ASX;*
- the release of a prospectus; or*
- the holding of an annual general meeting.*

This policy does not authorise any dealings in securities of the company by any person whilst they may have price sensitive information in their possession, which is not generally available. Each director, employee or contractor is required to satisfy themselves that any dealings in securities of the company they undertake is not in breach of the Corporations Act 2001.

DISCLOSURE POLICY

The board is committed to timely release, by way of ASX announcements, of factual and balanced information concerning price sensitive aspects of the company's activities to the extent that such release does not prejudice the company's ongoing negotiations with third parties. The company website is updated when releases to the ASX are made and shareholders encouraged to communicate via phone, email, letter or website blog. In addition, an up to date version of the corporate governance statement is maintained on the company's website.

RISK MANAGEMENT

Risk identification and risk amelioration strategies are considered an inalienable part of every director's daily decision-making process and this behaviour is encouraged in every employee or contractor. Where incidences of risk identified, they are discussed by the board and appropriate action agreed. The Managing Director attests to the board biannually, at the time of presenting financial statements, upon the effectiveness of the company's management of its material business risks and that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

REMUNERATION REVIEW AND PERFORMANCE ASSESSMENT

The Board discusses and agrees the remuneration of directors periodically and is apprised of changes in the remuneration packages of employees and contractors as they occur. Information on executive and non-executive remuneration, as required by the Corporations Act 2001, can be found in the Remuneration Report which forms part of this Annual Report. Whilst the information disclosed therein, indicates that the company's present remuneration packages are in conformity with the principles espoused by the ASX Corporate Governance Council, this conformity does not necessarily indicate the directors' agreement with those principles.

The board has not adopted a formal process for an annual self-assessment of its collective performance and the performance of individual directors. The directors believe that effective assessment should be continuous rather than annual, and informal rather than formal.

Directors' Declaration

The directors of the company declare that:

- 1) The financial statements and notes, as set out on pages 16 to 27 and the Remuneration Report set out on pages 8 and 9, are:
 - a) in accordance with the Corporations Act 2001;
 - b) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position of the company as at 30 June 2008 and its performance for the year ended on that date.
- 2) The Chief Executive Officer and the Company Secretary have each declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statement and notes for the financial year give a true and fair view.
- 3) In their opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 4) The audited remuneration disclosure set out on pages 8 and 9 of the directors' report complies with Accounting Standards AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

This declaration is signed in accordance with a resolution of the directors



ALAN SCOTT
Managing Director
4 August 2008



BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITEC ENERGY LIMITED

We have audited the accompanying financial report of HiTec Energy Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

BDO Kendalls is a national association of
separate partnerships and entities.



Auditor's Opinion

In our opinion:

- (a) the financial report of HiTec Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of HiTec Energy Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Yours faithfully,

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 4th day of August 2008.



BDO Kendalls

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ABN 79 112 284 787

4th August 2008

The Directors
HiTec Energy Limited
Level 1, 30 Richardson St
WEST PERTH WA 6005

Dear Sirs

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF
HITEC ENERGY LIMITED**

As lead auditor of HiTec Energy Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Glyn O'Brien
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

BDO Kendalls is a national association of separate partnerships and entities.

Income Statement

For the year ended 30 June 2008

		2008	2007
	Note	\$	\$
Revenue from continuing operations			
Interest		69,466	106,937
Other Income			
Recoupment of past expenditure	8	1,027,229	-
Rent		13,200	7,700
Sundry income		2,280	29,248
		<hr/> 1,112,175	<hr/> 143,885
Expenditure			
Administration		291,992	274,945
Business development		140,597	128,857
Depreciation	4	6,926	10,991
Employee benefits		401,634	497,197
Superannuation		57,386	62,392
Exploration		125,311	45,749
Loss on sale of plant & equipment	4	292	1,113
Patenting		9,931	6,673
Research & development		102,900	26,500
		<hr/> 1,136,969	<hr/> 1,054,417
Loss before income tax		(24,794)	(910,532)
Current income tax credit	9	60,324	61,859
Profit (loss) for the year		<hr/> 35,530	<hr/> (848,673)
Representing:			
Basic profit (loss) per share (cents per share)	15	0.0	(0.2)
Diluted profit (loss) per share (cents per share)	15	0.0	(0.2)

Balance Sheet

As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash & cash equivalents	6	1,406,791	1,381,012
Trade & other receivables	7	44,775	13,222
Inventories		895	-
Prepayments		23,788	25,623
		<u>1,476,249</u>	<u>1,419,857</u>
Non-current assets			
Trade & other receivables	7	43,578	40,821
Plant & equipment	4	14,187	19,657
		<u>57,765</u>	<u>60,478</u>
Total assets		<u>1,534,014</u>	<u>1,480,335</u>
Current liabilities			
Trade & other payables		43,700	36,492
Provision for long service leave		9,737	9,123
		<u>53,437</u>	<u>45,615</u>
Non-current liabilities			
Provision for long service leave		<u>30,922</u>	<u>20,595</u>
Total liabilities		<u>84,359</u>	<u>66,210</u>
Net assets		<u>1,449,655</u>	<u>1,414,125</u>
Equity			
Contributed equity	2	31,945,649	31,945,649
Reserves	3	24,421	37,905
Accumulated losses		<u>(30,520,415)</u>	<u>(30,569,429)</u>
Net equity		<u>1,449,655</u>	<u>1,414,125</u>

Statement of Changes in Equity

For the year ended 30 June 2008

	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2006	31,945,649	(29,741,851)	59,000	2,262,798
Reversal of previously booked cost for options lapsed during year	-	21,095	(21,095)	-
Loss attributable to members of the company	-	(848,673)	-	(848,673)
Balance at 30 June 2007	31,945,649	(30,569,429)	37,905	1,414,125
Balance at 1 July 2007	31,945,649	(30,569,429)	37,905	1,414,125
Reversal of previously booked cost for options lapsed during year	-	13,484	(13,484)	-
Profit (loss) attributable to members of the company	-	35,530	-	35,530
Balance at 30 June 2008	31,945,649	(30,520,415)	24,421	1,449,655

Cash Flow Statement

For the year ended 30 June 2008

		2008	2007
	Note	\$	\$
Cash inflow (outflow) from operating activities			
Recoupment of past expenditures		1,027,229	-
Payments to suppliers and employees		(1,141,797)	(1,319,160)
Interest received		69,466	106,937
Rentals received		13,200	7,700
Research & development grants received		60,324	61,859
	21	<u>28,422</u>	<u>(1,142,664)</u>
Cash inflow (outflow) from investing activities			
Proceeds from sale of plant & equipment		-	1,119
Purchase of plant & equipment		(1,748)	-
Purchase of inventories		(895)	-
		<u>(2,643)</u>	<u>1,119</u>
Increase (decrease) in cash & cash equivalents		25,779	(1,141,545)
Cash & cash equivalents at beginning of year		<u>1,381,012</u>	<u>2,522,557</u>
Cash & cash equivalents at end of year	6	<u>1,406,791</u>	<u>1,381,012</u>

Notes to Financial Statements

For the year ended 30 June 2008

Note 1 Statement of significant accounting policies

These are the financial statements of HiTec Energy Limited, a listed public company incorporated and domiciled in Australia, as an individual entity. They are general purpose financial statements that have been prepared in accordance with Accounting Standards, the Corporations Act 2001, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. They comply with Australian Accounting Standards, which include AIFRS, in their entirety and thus also comply with IFRS in their entirety. The financial statements have been prepared on an accruals basis and are based on historical costs, modified by revaluations where appropriate, and for which the fair value basis of accounting has been applied. For the current and prior financial year, management considers there are no areas in the financial statements which, by application of the company's accounting policies, are subject to significant estimates or judgement. The following sub-notes set out the material accounting policies that have been adopted and consistently applied, unless otherwise stated.

a) Effect of changes in accounting policy

No initial application of an issued and effective Australian Accounting Standard has had any significant effect on the current period or the prior period. Furthermore, no new Australian Accounting Standard, which has been issued but is not yet effective, is expected to have any significant effect on a future reporting period.

b) Comparative figures

Comparative figures have been amended to conform to the current year presentation basis where changes in disclosure have occurred.

c) Expenditure on intangible assets

The company's policy with respect to expenditure on intangible assets is to write off all costs as incurred. Accordingly, exploration expenditure of \$125,311, research & development expenditure of \$102,900 and patenting expenditure of \$9,931 has been written off during the year. Writing off expenditures on intangible assets as incurred does not indicate any diminution in the board's view of the intrinsic value of the mining leases, acquired research knowledge or patents held by the company. Rather, this approach is adopted as it is the most prudent treatment available under current accounting standards for such expenditures.

d) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits. The balance of the provision is adjusted annually to reflect the change in liability between reporting dates.

e) Income taxation

Where applicable, income tax expense is calculated by applying the ruling tax rate for a period to the period's taxable income. Where a tax loss has occurred, deferred tax balances are not recognised in the income statement unless it is probable that they will be utilised (ie, deferred tax assets, including unused tax losses) or reversed (ie, deferred tax liabilities) in the foreseeable future. Research & development tax concessions received are included as current income tax credits in the year of receipt rather than as revenue, to comply with accounting standards.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

f) Lease costs

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they occur.

g) Goods & services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Cash flows are presented in the cash flow statement on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

h) Financial assets and liabilities

Cash, cash equivalents and receivables are stated at cost then subsequently adjusted to the recoverable amount where this is deemed to be lower than cost. Cash and cash equivalents include readily convertible amounts held with maturity dates of less than three months. Payables are stated at cost then subsequently adjusted to the payable amount where this is deemed to be higher than cost. They represent unpaid unsecured liabilities for goods and services provided to the company prior to the year end. Trade payables are usually paid within 30 days. Any realised or unrealised gain or loss arising as a result of restating a financial asset or liability is included in the income statement in the period in which it arises. The company has had no other dealings in financial instruments that would require additional accounting policy disclosure.

i) Plant & equipment

Plant & equipment is measured on the cost basis, less where applicable, accumulated depreciation and impairment loss. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. Any expected net cash flows are discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

j) Depreciation

Where applicable, plant & equipment is depreciated on a reducing balance basis over its useful life, commencing from the time that an asset is held ready for use. Office furnishings and mechanical equipment are depreciated at 20% per annum. Electronic equipment is depreciated at 40% per annum.

Note 2 Contributed equity

At the beginning and end of the financial years ending 30 June 2007 and 30 June 2008 the company had contributed equity of \$31,945,649 raised from the issue of 447,739,284 fully paid shares. Ordinary shares, which have no par value, participate in dividends and the proceeds on winding up of the company in proportion to the number of the shares held. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 3 Reserves

During the year \$13,484 (2007: \$21,095), being the portion of the option reserve that related to options expiring during the year, was reversed.

Note 4 Plant & equipment

	<u>2008</u>	<u>2007</u>
	\$	\$
Office furniture & equipment - at cost	177,281	180,429
Accumulated depreciation	(163,094)	(160,772)
	<u>14,187</u>	<u>19,657</u>

During the year, an item of plant and equipment was disposed of for no value realising a loss of \$292.

Movements in plant and equipment during the year:	\$	\$
Written down value at 1 July	19,657	32,880
Additions	1,748	-
Disposals	(292)	(2,232)
Depreciation expense	(6,926)	(10,991)
Written down value at 30 June	<u>14,187</u>	<u>19,657</u>

Note 5 Intangible assets

Expenditure on intangible assets such as exploration, research & development and patents is written off as incurred and no valuation carried forward on the balance sheet. Whilst this is an appropriate and prudent accounting policy, in an economic sense such expenditures have undoubtedly enabled the company to acquire and maintain intangible assets that are inherently valuable. In addition to valuable knowledge gleaned from exploring, researching and the like, at the end of the 2007 and 2008 financial years the company held the following tenement and patent assets that the directors believe are of economic value to the company:

- Tenements
 - ML 46/237 Ant Hill mining lease containing manganese resources.
 - ML 46/237 Sunday Hill mining lease containing manganese resources.
 - G 45/265 Boodarie general purpose lease held as future plant site.
- Patents or patent applications
 - "Hydrometallurgical Processing of Manganese Containing Materials" (Australia, International, South Africa, United States and China.)
 - "Improved Hydrometallurgical Processing of Manganese Containing Materials" (Australia, International, South Africa, United States and China.)
 - "A Method for Producing a Micronutrient Fertilizer" (Australia)

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 6 Cash & cash equivalents	2008	2007
	\$	\$
Cash at bank and in hand	66,778	90,107
Short term deposits	1,340,013	1,290,905
	1,406,791	1,381,012

Note 7 Receivables	2008	2007
	\$	\$
Current: Other receivables	44,775	13,222
Non-current: Performance bonds	43,578	40,821
	87,353	54,043

No receivables are past due or impaired.

Note 8 Joint venture interests

On 29 April 2008, the company entered into a farm-in and joint venture agreement with Auvex Resources Limited (Auvex) under which Auvex may acquire a 50% interest in the company's two mining tenements, and associated exploration tenement applications, by the payment of \$1m to HiTec in recognition of expenditures on the leases up to 2007, plus the payment of the first \$7.25m of project costs. Auvex is the manager of the farm-in and production joint venture and by 30 June 2008, had paid the A\$1m due to HiTec and incurred \$0.5m towards its spending obligations under the agreement. Should the joint venture be initiated prior to Auvex spending \$7.25m, then it must fund the initial cash calls for both parties to the extent of the unspent balance.

As part of the \$0.5m incurred to 30 June 2008, Auvex has paid HiTec a further \$27,229 in respect of tenement expenses that HiTec incurred in 2008 up until 29 April 2008. Future tenement costs will be paid by Auvex until its \$7.25m spending commitment is reached, and then shared on a 50:50 basis.

Auvex and HiTec simultaneously entered into a heads of agreement for a joint sale of ore anticipated from the production joint venture. HiTec is the manager of joint sales arrangements and by 30 June 2008, the joint venture partners had incurred marketing expenditures of \$29,318 of which HiTec's 50% has been expensed in the current year.

Note 9 Income tax

A prima facie income tax expense of \$10,659 (2007: income tax benefit of \$254,602), calculated at 30% of the operating profit (loss) for the year has not been brought to account in either year. As disclosed in note 1, the current income tax credit in each financial year results from treating research & development tax concessions actually received in cash, as current tax credits, despite the fact that the company did not pay any income tax during the period under review.

At 30 June 2008, the company had estimated carry forward tax losses of \$14,842,649 (2007: \$14,853,308 as returned) available to offset against future taxable income. The benefits of these losses will only be obtained if the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised. The company continues to comply with the conditions of deductibility imposed by tax legislation and no changes in tax legislation adversely affect the company in realising the benefit from deductions for the losses.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 10 Key management personnel compensation

For this company, the remuneration related disclosures required by AASB124 are identical to those required by the Corporations Act 2001, as there are no key management personnel other than the directors. The company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the Remuneration Report section of the Directors' Report which forms part of this Annual Report.

Note 11 Share based payments

During the year there have been no share based payments under the company's employee share scheme nor any exercise or forfeiture of previously issued options. However, 1,000,000 options, previously issued to employees at an exercise price of 7.6¢, have expired.

At 30 June 2008, there were 1,500,000 options outstanding, vested and exercisable under the employee share scheme each having an exercise price of 7.6¢ (2007: 2,500,000 at 7.6¢). The remaining outstanding and exercisable options were granted on 24 November 2003 and will expire on 24 November 2008 unless exercised beforehand. Where an option holder ceases to be employed before the option held expires, or is exercised, the company may choose to extinguish the option at the date employment ceased. All future option issues under the scheme require approval by shareholders.

The fair value, or calculated impact, at 30 June 2005 of the abovementioned outstanding options, was derived using Black-Scholes methodology from their exercise price of 7.6¢, their contractual life of 46 months, the company share price average in the week prior to issue of 6.1¢ and estimates for expected share price volatility plus risk free rate of 38% and 5% respectively. The option reserve balance of \$24,421 reflects this fair value.

Note 12 Related parties

No director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end. There were no management or consulting fees paid during the year to any director related entities. The directors are the only related parties.

Note 13 Segment reporting

The company operates in one business segment, namely the mineral resources sector. Whilst the company's principal and registered office and its mining leases are maintained in Australia, its business focus is worldwide, with a representative office maintained in China and patent assets currently held in Australia, China, United States, South Africa and India.

Note 14 Contingent liabilities

Legislative developments and judicial decisions regarding Native Title may have an impact on the exploration and production activities of Australian mining companies generally. A claim may exist over the area covered by the company's mining leases, and it is not possible at this stage to quantify the effect (if any), which these developments may have on the operations of the company.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 15 Earnings per share	2008	2007
	\$	\$
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	447,739,284	447,739,284
Weighted average number of 'in-the-money' options outstanding	11,800,000	-
Weighted average number of securities outstanding during the year used in calculating diluted loss per share	<u>459,539,284</u>	<u>447,739,284</u>

Options outstanding have been classified as potential ordinary shares, and thus included in the determination of diluted earnings per share, only where their exercise price is lower than the year-end share price.

Note 16 Lease commitments

The company has obligations to perform exploration work on its mining tenements in accordance with the Department of Industry and Resources expenditure requirements. A Bank Guarantee facility for \$10,000 exists in respect of these mining lease obligations.

Project	Tenement	Renewal Date	Area (Km²)	Annual Expenditure commitment	Interest
Ant Hill	ML 46/238	05/11/07	8.0	\$80,100	100%
Sunday Hill	ML 46/237	05/11/07	7.3	\$73,000	100%
Port Hedland	G 45/265	05/06/08	0.5	-	100%

Under a farm-in and joint venture agreement entered into on 29 April 2008, the company's interest in the Ant Hill and Sunday Hill mining leases, and its obligations thereunder, will reduce to 50% upon initiation of the joint venture, which event is likely to occur before the end of the current calendar year. Additionally under the joint venture agreement, Auvex will fund 100% of the obligations until such time as it has met its \$7.25m obligation.

An office rental lease exists, which expires on 28 February 2009, but has an option to renew for an additional 3 years. Monthly rent is payable in advance. A Bank Guarantee facility for \$31,095 (2007: \$29,068), backed by a term deposit of equal amount exists in respect of the tenancy obligation. Annual commitments under the lease amount to \$46,482 (2007: \$44,150).

The terms of the office rental lease include an annual rental adjustment to the greater of defined market value or the rent for the preceding year increased by 5%, with parking rental to be the greater of defined market value or the rental paid in the preceding year.

Minimum amounts payable under the lease within 12 months are \$30,988 (2007: \$44,150), between 12 months and 5 years \$nil (2007: \$29,433) and greater than 5 years \$nil (2007: \$nil).

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 17 Financial risk management

The management of the financial risks to which the company is exposed is the responsibility of the chief executive officer under the direction of the board. During the financial years under review, the only financial risks of any significance to which the company was exposed were:

- Cash flow interest rate risk on cash & cash equivalents;
- Credit risk on cash & cash equivalents;
- Liquidity risk; and
- Fair value estimation risk.

Cash flow interest rate risk on cash & cash equivalents

The company keeps the minimum necessary cash in hand and at bank to pay its expenses as they fall due. The cash at bank earns interest on a daily basis at the rates for cash management accounts offered by its banker from time to time. During the current financial year an average interest rate of 1.9% was achieved (2007: 2.8%) on cash at bank.

As disclosed in the notes to these financial statements, the majority of the company's liquid funds are held in fixed term deposits with maturities out to twelve months at rates of interest offered by its banker from time to time. During the current financial year an average interest rate of 8.0% was achieved (2007: 5.9% on fixed term deposits).

As at 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates and all other variables held constant, post-tax profit for the year would be \$9,416 higher/lower (2007: \$16,738 higher/lower) from interest income on cash and cash equivalents.

Credit risk

At all times during the financial years under review the company's cash and cash equivalents maintained at bank or on fixed term deposit were invested with the National Australia Bank Limited. The board considers this entity to have sufficient financial strength to minimise the credit risk exposure of the company and, to date, has not seen fit to diversify its investments. Should the quantum of cash & cash equivalents increase in future, the board would diversify its investments with other entities of comparable financial standing and impose credit limits for investment in any single entity. The maximum credit risk exposure for receivables is their carrying value.

Liquidity risk

The company is exposed to liquidity risk to the extent that it has inadequate capital to undertake its business objectives, or to the extent that the available capital, which is adequate in amount, has been invested in a manner that precludes the payment of creditors in a timely fashion. The board constantly monitors the adequacy of capital and the manner in which it is invested, which process includes a formal bi-monthly reporting of cash position, 'rolling twelve month' cash forecasts and detailed variance analysis from past forecasts. The company has no financial liabilities maturing greater than 6 months from the reporting date.

Fair value estimation risk

Fair value estimation risk applies to all receivable and payables balances, plus the plant & equipment held operational purposes. In all cases, the carrying values of these assets and liabilities, as disclosed in the balance sheet, approximate their fair values.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 18 Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material or unusual nature, which is likely in the opinion of the Directors, to affect substantially the operation of the company, the result of those operations and the state of affairs of the company in the financial year subsequent to 30 June 2008.

Note 19 Capital risk management

In employing its capital (or net equity as it is referred to on the balance sheet) the company seeks to ensure that it will be able to continue as a going concern and in time provide value to shareholders by way of increased market capitalization or dividends. In the current stage of its development, the company has invested its available capital heavily in intangible assets such as acquiring and exploring mining tenements and researching and patenting process know-how as a means of achieving this ends. As is appropriate at this stage, the company is funded entirely by equity.

As it moves forward to commercialize these intangible assets, the company will adjust its capital structure to support its operational and strategic objectives, by raising additional capital or taking on debt, as is seen to be appropriate from time to time given the overriding objective of creating shareholder value. In this regard, the board will consider each step forward in the development of the company on its merits and in the context of the then capital markets, in deciding how to structure capital raisings.

Note 20 Auditor's remuneration

	2008	2007
	\$	\$
Remuneration of the auditor for:		
Auditing - y/e 30 June 2008	20,033	-
- y/e 30 June 2007	566	16,790
- y/e 30 June 2006	-	4,735
Other services	-	-
	20,599	21,525

Note 21 Reconciliation of net cash used in operating activities with profit after income tax

	2008	2007
	\$	\$
Profit (loss) after income tax	35,530	(848,673)
<u>Items classified as investing/financing activities</u>		
Loss on disposal of assets	292	1,114
<u>Non-cash items</u>		
Depreciation	6,926	10,991
<u>Changes in assets and liabilities</u>		
(Increase) decrease in receivables	(34,310)	(2,017)
(Increase) (decrease) in prepayments	1,835	(9,542)
Increase (decrease) in payables and accruals	(9,432)	(280,035)
(Increase) decrease in provisions	27,581	(14,502)
Net cash inflow (outflow) from operations	28,422	1,142,664

Additional Information

The additional information, as required by the Listing Rules of the Australian Stock Exchange Limited, has been extracted from the share register as of 31 July 2008:

1. DISTRIBUTION OF SHAREHOLDERS

		No of Shareholders
1	- 1,000	100
1,001	- 5,000	368
5,001	- 10,000	464
10,001	- 100,000	1,967
100,001	over	797
		3,696

2. MARKETABLE PARCEL

A marketable parcel is a holding with a value of at least \$500 at the prevailing share price as at 31 July 2008. As at this date, there are 727 shareholders with holdings of a value that is less than a marketable parcel.

3. VOTING RIGHTS

On a show of hands every shareholder of ordinary shares present or by proxy shall have one vote and upon a poll each share shall have one vote.

4. TOP TWENTY SHAREHOLDERS

Shareholders as of 31 July 2008	Holding	Percent
Perpetual Custodians Limited	13,585,132	3.034
UBS Nominees Pty Ltd <TP00014 15 A/C>	9,642,000	2.153
Mr Warren Thomas Brown & Mrs Roslyn Una Brown A/C	9,200,000	2.055
Marcus Hugh Tittley & Janet Mary Tittley	7,500,000	1.675
Waros Pty Ltd <Warren Brown Super Fund A/C>	6,006,725	1.342
National Nominees Limited	5,271,308	1.177
Pabu Pty Limited <The Jade Unit A/C>	5,130,934	1.146
Van de Velde Consulting Group Pty Ltd <Van de Velde Super Fund A/C>	5,000,000	1.117
Mr Peter Fabian Hellings & Mrs Jacqueline Kim Gun Hellings <Box Super Fund A/C>	4,300,000	0.960
ANZ Nominees Limited <Cash Income A/C>	3,537,756	0.790
Kuyan Pty Ltd	3,125,000	0.698
David Rivett Pty Limited <Super Fund A/C>	3,000,196	0.670
Roy Kendall	3,000,000	0.670
Mr Kenneth George Parnell & Mrs Lynette Ann Parnell <K&L Parnell SF A/C>	3,000,000	0.670
Mr Marcus Hugh Tittley	3,000,000	0.670
Mr James Howard Nigel Smalley	3,000,000	0.670
Kizogo Pty Limited	2,805,827	0.627
Mr John Anthony Dowson & Mrs Ellen Dowson <J&E Dowson Super Fund A/C>	2,550,000	0.570
Dr Allan Paul Andersen <The Andersen Family Account>	2,549,234	0.569
Kailis Consolidated Pty Ltd	2,500,000	0.558

The Percentage of the total holding held by the twenty largest holders of ordinary shares was 21.8% (2007: 20.7%).

In challenge we find opportunity.....

As the world turns more and more to truly sustainable production technologies, which are both economically sound and low impact on the environment, patented processes such as those developed by HiTec are becoming increasingly relevant and increasingly in demand.

HiTec's sulfur dioxide leach process provides economic advantage as it can efficiently unlock the manganese contained in low grade manganese dioxide ores that is otherwise uneconomic to extract. This attribute of our process is particularly of relevance in times such as these where higher grade manganese ores are in short supply and, when available at all, are priced at historically high levels that can be untenable for a secondary processor.

The manganese extraction process that we employ is hydrometallurgical, as compared with the conventional pyrometallurgical process mainly employed today and it is this aspect of our process that provides very strong environmental advantages including:

- a reduction in energy consumed to less than half;
- the total elimination of carbon dioxide emissions;
- the ability to eliminate virtually all particulate and metal ion emissions from the process; and
- the ability to create a valuable and environmentally friendly micro nutrient fertilizer from what would conventionally be plant wastes.

When implemented in conjunction with world class environmental practices in all other areas of operations, the result can be a process plant that can responsibly coexist in its local community.

While debate in our communities will continue to rage as to the relative merits of one environmental priority over another, no logically inclined person can argue with the merits of approaches that seek to efficiently utilise the available resources of a country or region. The reality is that resources such as low grade manganese oxide ores will be used. The challenge is to see them used in a way that creates strong economic value today; without adversely impacting on the environment and thereby creating liabilities for future generations to shoulder.

It is with this objective clearly in mind that we see an opportunity for HiTec to prosper and to do so whilst providing real value to its project partners and to the communities in which they work.

www.hitec-energy.com.au