

HiTec Energy Limited

ASX RELEASE - 31 JULY 2009

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2009

OVERVIEW

It is with some satisfaction that we can now report that the deterioration in the market context for high grade manganese ores, reported in our last quarterly Activities Report, would appear to have ceased and begun to reverse. (As was predicted in the last quarterly report: albeit a little more quickly than predicted!)

As a direct consequence of improved market prices and terms being offered for manganese ores, HiTec has contracted for the sale of 30,000t (+1.10%) of the ore currently stockpiled at the Ant Hill mine. The ore sale contract provides working capital support to the seller and trucking of the first cargo to HiTec's Boodarie lay-down area in Port Hedland is scheduled to commence in August to meet a September ship loading schedule. HiTec has contracted this sale as agent for the Mesa Mining Joint Venture participants, namely itself and Auvex Resources Limited (Auvex), each of which hold a 50% interest in the ore sold.

The cash flow from this ore sale, plus a second sale anticipated in October, when added to the capital raisings announced by HiTec on 22 July 2009, will place the Company in a very strong position moving forward through the mine start up phase. The mine start up is dependent primarily upon the finalisation of the mining approval process (anticipated during this current quarter) and the continuation of a reasonable market context for the ore, which appears increasingly likely to be the case over coming months.

In a Project Update released on 3 July 2009 we announced the signing by HiTec of the Utah Point Facilitation Agreement (UPFA) with the Port Hedland Port Authority. This agreement will allow HiTec to stockpile manganese ore at the new ore export stockyard facilities, and to load out up to 200,000 tonnes per annum on a preferential basis through the new wharf and ship loader facilities, all due for completion in Q2/2010. Under the UPFA HiTec will prepay \$1.0m in port charges, which amount is refundable with interest, by credit against future port charges for shipments through the new Utah Point berth. The Company also expects, in the near term, to sign a deed of variation to the UPFA, under which its preferential load out capacity will be increased to 300,000 tonnes per annum for a defined period.

The importance of these port access agreements should not be underestimated. Without them, the opportunity to export manganese ore through Port Hedland over the next few years as a standalone shipper will be minimal; leaving potential new exporters little option but to do deals with existing shippers, and these options will only be available to the extent that spare stockyard and loader capacity exists at any given point in time.

MESA MINING JOINT VENTURE

EXPLORATION

Exploration and evaluation efforts in 2008 on the Ant Hill mining tenement in the East Pilbara district, as part of the farm-in arrangements with Auvex, resulted in a JORC compliant resource of 3.68Mt at 22.8% Mn at a 15% Mn cut-off grade (refer following resource table and HiTec 17 March 2009 ASX Release).

Category (+15% Mn)	Tonnes	Mn%	Fe%	SiO2%
Indicated	2,994,000	22.4	24.8	17.8
Inferred	687,000	24.7	23.7	16.6
Total	3,681,000	22.8	24.6	17.5

This resource represents a threefold increase in contained manganese metal when compared to the 2001 estimated resource at the same 15% cut-off. The new Ant Hill resource is calculated from drillhole data restricted to an area that approximates to only 30% of the known extent of the Ant Hill manganese deposits. This result was particularly pleasing to the joint venture parties in that the 2008 exploration programme was primarily focused on providing data for early production.

Drillhole results from a scout drilling program conducted late 2008 at the Sunday Hill mining tenement also indicates the presence of ore grade mineralization. Mapping at Sunday Hill indicated extensive manganese mineralization within the tenement occurring along three separate trends, and these can be targeted readily by future drill programs. (Refer ASX Release 11 February 2009).

As the opportunity clearly exists to increase the published ore resource at both Ant Hill and Sunday Hill mining leases, whilst at the same time gathering additional data for future production, a second exploration programme is under consideration by the joint venture parties that can be actioned as soon as the cash flow from ore sales will support such endeavours. Importantly, the actioning of a further exploration programme is not an essential prerequisite for the commencement of mining on the leases, as sufficient knowledge already exists to undertake mining activities for at least the next two years. Such mining activity should of itself open up sufficient additional tonnages to allow ongoing mining operations without the need for further exploration programmes.

Accordingly, HiTec takes the stance that future exploration programmes that are actioned on the two mining leases will also be directed primarily towards collecting knowledge that will enable future mining operations to be optimised as to grade, tonnage and flexibility; as was the case in 2008.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information reviewed by Mr Rudy Vooys, a Member of The Australasian Institute of Mining and Metallurgy. Mr Vooys is a Director of Ravex Pty Ltd which provides consulting exploration services to HiTec Energy Limited. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Vooys consents to the inclusion in this ASX release of the matters based on his review in the form and context in which they appear.

APPROVAL PROCESS

The approval process for full scale operations at Ant Hill & Sunday Hill continued without any reported problems during the quarter under review. HiTec would expect the approval process to be completed in the near future and that mobilisation of both people and equipment back to the mine site will commence immediately thereafter. At this date, the most likely month for ore production start-up would be December 2009.

PRODUCTION & SALES

As previously reported the joint venture parties were holding approximately 77,000t of saleable ore at the point the trial mining activities ceased and the mine was put on care and maintenance in February last. At the end of the June quarter, and as at the date of writing, these ore stocks remains at Ant Hill (save for a small parcel that was trucked to our Boodarie ore lay-down area in Port Hedland specifically to test road conditions). There has been no further ore production since February and none is expected before late in Q4/2009.

In late July, a sale contract was signed by HiTec as agent for the joint venture participants under which 30,000t (+/-10%) of the ore currently stockpiled at the Ant Hill mine has been sold for delivery in September. Arrangements are being put in place for the trucking of this ore to Port Hedland and stockpiling at the port pending shipment. It is anticipated that a contract for a second shipment in October will be signed during August.

Given final approval of the mining operations in the near term, HiTec anticipates that a further ore sale is possible before year end, by combining early production with the balance of stockpiled ore, and that regular shipments will most likely commence from Q1/2010. The mine will take some time to be operating at its targetted production capacity of 300,000 tonnes per annum, but should operate profitably throughout the relatively short ramp up period, given of course a continuance of current ore pricing levels.

Pending final approval of mining operations on the Ant Hill and Sunday Hill mining leases the mine site and camp will remain on care and maintenance, so that a speedy resumption of activities will be facilitated. Auvex and HiTec are presently reviewing the various options for ensuring all necessary staff and equipment can be sourced and mobilised without undue delay.

JOINT VENTURE ARRANGEMENTS

During the quarter under review Auvex's \$7.25m spending commitment under the 29 April 2008 Farm-In and Joint Venture Agreement was confirmed by HiTec and steps have been taken to have Auvex's 50% earned interest noted on the mining tenements titles.

Auvex and HiTec have also now agreed to move quickly to negotiate and sign a formal joint venture agreement, as contemplated in the original Farm-In and Joint Venture Agreement entered into in April 2008, which will set down the operational basis for the production joint venture and confirm Auvex's role as the production manager.

The joint venture participants have also now agreed to concurrently negotiate and sign a formal sales and marketing agency agreement, as was contemplated in the heads of agreement also entered into in April 2008. This new agreement will replace the transitional arrangements that have been put in place to cover the trial shipments of ore discussed above, and will define the principles upon which HiTec will market both participants' share of ore production from the joint venture on an 'undivided, but several' interest basis.

COMMERCIALISATION OF PATENTED TECHNOLOGY

Over the past quarter, planning has continued for a 20,000 tonne granulated manganese sulphate plant based at the Boodarie Industrial Estate at Port Hedland, which would also produce 32,000 tonnes of a very attractive slow release, micro nutrient fertiliser as a co-product. The market for the manganese sulphate is quite diverse, extending well beyond fertilizer end use, and prices have held up quite strongly despite the global financial crisis. Similarly, the demand for a slow release, manganese iron calcium and sulphur rich micronutrient fertiliser remains very strong. This plant as conceived would demonstrate the full potential of our sulphur dioxide leach patent when used in conjunction with our micro nutrient fertilizer patent at a full production scale.

Work has also continued on the technology licensing front, where we see projects as being complementary to our own Port Hedland project, rather than being in competition with it, and where HiTec can potentially participate in the international marketing of the licensed production as well as supplying the key process technology.

LIQUIDITY

As at 30 June 2009, HiTec had cash and current receivables of \$0.7m and creditors and current payables of \$0.1m giving net liquid funds of \$0.6m. The Company has no debt.

Subsequent to the end of the quarter the company has announced the successful completion of a \$1.3m share placement and an offer to shareholders of further shares, under a share purchase plan, the details of which are to be announced shortly. These capital raisings, taken together with cash on hand plus cash to be generated from ore sales, will allow the company to pursue with vigour all of its business strategies over coming months.



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Alan Scott
(Managing Director)

HiTec Energy Limited (ABN 38 009 113 160)

(HiTec Energy Limited is alternatively referred to in this document as "HiTec" or "the Company")

Level 1
30 Richardson Street
West Perth WA 6005

Telephone: +61 (08) 9321 6033
Facsimile: +61 (08) 9321 6001
www.hitec-energy.com.au