

HITEC ENERGY LIMITED

ABN 38 009 113 160

2004 ANNUAL REPORT

Corporate Directory

Directors

N Coldham-Fussell
Chairman

A Scott
Managing Director & CEO

MH Titley
Non-Executive Director

RPB Harris
Executive Director

DR Teplitzky
Non-Executive Director

Company Secretary

RG Ledger

Principal & Registered Office

1st Floor, 1 Walker Avenue
West Perth WA 6005
Telephone: (08) 9321 6033
Facsimile: (08) 9321 6001

Postal Address

PO Box 1597
West Perth WA 6872

Stock Exchange Listing

Australian Stock
ASX Code: HTE

Auditors

Grant Thornton
Chartered Accountants
256 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank Ltd
1232 Hay Street
West Perth WA 6005

Solicitors

Fearis Salter Power Shervington
52 Ord Street
West Perth WA 6005

Share Registry

Advanced Share Registry Services
Level 7
200 Adelaide Terrace
Perth WA 6000

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CHAIRMAN'S ADDRESS

Over the last year HiTec has made steady progress towards its goal of becoming a producer of high quality, low cost EMD for the alkaline battery market. In particular, our proposed first stage production facility has been defined and costed to the point where we believe no further work is warranted until such time as project financing is completed and detailed design work is tendered.

As we have consistently forecast, the alkaline EMD market has tightened considerably to the point where supply security is now being seen as a much more urgent issue by battery makers than it has over the last few years. Furthermore, 2004 statistics available to date indicate demand for alkaline batteries to be running in excess of the levels we conservatively forecasted for most countries; a situation that if sustained throughout the year will put added stress on EMD supply.

We believe that the alkaline EMD market is now transitioning from the oversupply position of recent years to a period of sustained undersupply. Significant moves by producers and users to protect their interests going forward are increasing prices markedly, but are yet to fully reflect the real supply shortfall position. However, none of these moves are addressing the root cause of the problem: i.e., the need for additional production capacity.

Accordingly, we remain confident that EMD pricing in the second half of the year will continue to improve and will be sustained to a level that will support the addition of new capacity such as that proposed by HiTec.

We will time our project financing to coincide with this change in the EMD market and, by doing so, strive to minimise the effects of dilution on existing shareholders.

The successful \$5m fundraising carried out by HiTec last year, combined with the very successful \$1.5m sale of redundant assets this year, has left the Company in excellent shape as regards working capital and thus with the ability to choose the timing of the project financing.

Last year I indicated that HiTec is moving forward with confidence towards the goals that have been set for it. Despite the delays that have occurred, I believe that the next twelve months will see HiTec raise the capital it requires to build its first EMD production plant, and thus set the new standard for how high quality EMD will be made in future. I also continue to believe that HiTec will then be well placed to extract additional value for its shareholders from the technology that it has developed and refined over recent years.

Our management team at HiTec have responded well to the challenges of the last twelve months and have ensured that, as the EMD market position turns increasingly favourable, we will be in the best possible position to take advantage of it.



NORMAN FUSSELL, Chairman

REVIEW OF OPERATIONS

Reflecting on the events of the year, it is very clear that the key tasks for the period, as set out in last year's Review of Operations, were not achieved in the targeted time frame. The reasons for this have been touched upon in our quarterly reports, but are worth summarising here as the progress made, despite the delays, provides an insight into the soundness of HiTec's development strategy.

The first key task stated for the year under review was to successfully negotiate Site Sub-Lease and Cooperation agreements with OMG Cawse Nickel Operations ("OMG") that reflected the then agreed process flow sheets for the two operations and dictated how the benefits of cooperation on the site would be shared.

The primary reason why this key task was not achieved early in 2004, as expected, was the adoption of significant advantageous changes in the process flow sheet agreed to in late 2003. This caused the formal agreement procedure to be put on hold until further process test work was completed, and until the agreements themselves could be amended to reflect the flowsheet changes. At the date of writing, revised agreements are being reviewed by the parties, with the objective of finalising them in the near term. We remain very confident of our ability to conclude these agreements successfully.

The second key task, which was to have a fully completed feasibility document in hand before the end of 2003, was not achieved until June 2004. This was because the changes in the process flow sheet mentioned above required extensive new process testwork to be completed on a pilot plant scale in Finland and Perth, and at an operational scale at the OMG nickel plant at Cawse.

The third key task for 2003/2004 was to set in place a financing package that would allow the first stage production facility to enter final design and construction early in 2004. While this task was obviously also delayed by the changes in the process flow sheet, events in the EMD product market have also caused HiTec to refrain so far in 2004 to date from seeking project financing.

The 2004 year has marked the change in the alkaline quality EMD market from surplus to deficit: a change that has been accompanied by considerable marketplace disruption. Simultaneously, and quite unexpectedly, the zinc/carbon quality EMD market has also moved strongly into deficit. The causes of both these shortages include production capacity closures, power shortages in China, increased demand for manganese based batteries generally and increased competition from steel makers for manganese ores and ferro/manganese products.

In the first six months of 2004, battery makers have resisted price increases for alkaline quality EMD by changing to other suppliers and by running down both consignment and working stock levels. While these tactics have temporarily moderated price increases, they have failed to attract sufficient supply to maintain current battery production levels in the second half of 2004. Further price increases for all qualities of EMD, and particularly alkaline quality material, are now inevitable. HiTec's market analysis indicates that EMD shortages in the second half of the year will threaten a winding down of battery production levels in a number of countries including the USA, unless battery producers agree to higher prices.

REVIEW OF OPERATIONS (Cont.)

Accordingly, HiTec will refrain from actively seeking financing for its first stage production facility at Kalgoorlie until market prices for EMD more closely reflect the short supply situation, which it believes will persist for the next few years at least. Having said this, HiTec has not to date, and will not over coming months, refrain from endeavouring to put all the essential precursors to a successful financing in place.

To this end, we have taken steps to ensure that an EMD offtake contract or contracts, sufficient to underwrite a financing, can be concluded at short notice when pricing levels for 2005 become clear. We have also commenced discussions aimed at ensuring that an appropriate construction contract can be concluded at short notice, which will provide HiTec with a first class plant at an affordable price, whilst also providing financiers with the necessary confidence that construction budgets and plant performance parameters will be met.

Our ability to achieve a flexible construction contract for the proposed Kalgoorlie plant is critically important. Firstly, because of the strong competition for construction resources at the moment, and secondly, because of the mixed greenfields/brownfields nature of our project. To extract the maximum value out of the assets acquired at Cawse in 2003, we need a construction approach that will ensure the optimal use of each existing asset. While this is relatively easy to achieve for the larger units of plant, and thus can be planned in advance, there is a lot of value to be gained from utilising the array of smaller assets and this needs a more flexible 'hands-on' approach to be most successful.

Research and development efforts continued unabated to define improved product specifications that will be sought after by alkaline battery makers, and by the makers of other manganese based battery systems, who are seeking EMD of the highest purity and tightest chemical and physical specifications. The project described on the back cover of the Annual Report is a good example of HiTec's ongoing strong technical focus.

The patenting process covering HiTec's novel sulfur dioxide leach technology has reached patent pending stage in Australia, South America, Europe and the USA. Patent applications in additional countries are progressing according to schedule. The second patent process dealing with the use of solvent extraction in the production of EMD is expected to reach patent pending stage by the end of the year. HiTec is confident that the efforts being made to protect the company's intellectual property will pay dividends in the years to come.

HiTec management remained firmly focussed during the year under review on a successful project development that will deliver substantial rewards to existing shareholders. Whilst finance and share market conditions will obviously influence the value that can be extracted for existing shareholders, management believes strongly that establishing solid foundations for a financing will maximise shareholder returns when the decision is taken to further advance HiTec's proposed EMD Project.



ALAN SCOTT, Managing Director & CEO

The Directors' Statutory Report

The Board of Directors of HiTec Energy Ltd has pleasure in submitting its report for the year ended 30 June 2004.

DIRECTORS' INFORMATION

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:

Director	Qualifications & Experience	Special Responsibilities
N Coldham-Fussell	Company Director, 44 years experience, FCPA, FAusIMM, FCIS, FAIM, FAICD	Chairman
A Scott	Company Director, 38 years experience.	Managing Director & CEO
MH Titley	Company Director, 40 years experience.	Non-Executive Director
RPB Harris	Chartered Engineer, 40 years experience, DipCEng, MIEAust, MICE, MAICD	Project & Technical Director
DR Teplitzky	Company Director, 42 years experience	Non-Executive Director

Directors' Meetings

The following table sets out the number of meetings of the Company's directors that each director was eligible to attend during the year ended 30 June 2004 and the number of meetings actually attended.

Number of meetings	Number attended	Number eligible to attend
N Coldham-Fussell	6	6
A Scott	6	6
MH Titley	6	6
RPB Harris	6	6
DR Teplitzky	6	6

Norman Coldham-Fussell, FCPA, FAusIMM, FCIS, FAIM, FAICD

Mr Fussell was appointed as a director and Chairman of the Company on 16 August 1999. He has vast experience in the resources industry in general management, finance, marketing and project development. He was Chief Executive Officer and Managing Director of MIM Holdings Ltd from 1990 to 1995. Mr Fussell is Chairman of Flight Centre Limited, and also a director of Namoi Cotton Co-operative Ltd.

Mr Fussell holds a direct interest in 338,334 ordinary shares in the Company and a beneficial interest in 1,991,667 ordinary shares in the Company. He has an indirect interest in 1,000,000 20 cent options (expiring on 31 December 2004) and 1,000,000 13.5 cents options (expiring on 31 December 2004) over unissued ordinary shares in the Company.

The Directors' Statutory Report (Cont)

Alan Scott, CA

Mr Scott was appointed as Managing Director and CEO of the Company on 20 May 2002. He was formerly Managing Director and Chief Executive of Aurora Gold Ltd, and has extensive experience at senior levels in the Rio Tinto/CRA Group, with involvement in joint venture management, finance, acquisitions and divestments, commercial negotiations and project engineering.

Mr Scott holds a direct interest in 924,921 ordinary shares in the Company. He has a direct interest in 1,500,000 7.6 cent options (expiring on 31 May 2007) and 1,500,000 7.6 cent options (expiring on 24 November 2008) over unissued ordinary shares in the Company.

Marcus Hugh Titley

Mr Titley had thirty-six years experience in the stockbroking industry. He was State Manager of JB Were & Son, Stockbrokers, in Queensland from 1978 to 1996 before retiring from the industry. He was appointed as a non-executive director on 8 June 1998.

Mr Titley holds a direct interest in 3,000,000 ordinary shares in the Company and a beneficial interest in 7,125,000 ordinary shares in the Company. He has an indirect interest in 1,000,000 20 cent options (expiring on 31 December 2004) and 1,000,000 13.5 cents options (expiring on 31 December 2004) over unissued ordinary shares in the Company.

Rodney Philip Boulton Harris, DipCEng, MIEAust, MICE, MAICD

Mr Harris has forty years experience in project engineering and operational management leading to positions of Project Manager and General Manager. Much of his experience has been associated with projects in the North West of Western Australia. He was appointed Executive Director on 31 March 1999.

Mr Harris holds a direct interest in 439,667 ordinary shares in the Company. He has an indirect interest in 1,000,000 20 cent options (expiring on 31 December 2004) and 1,000,000 13.5 cent options (expiring on 31 December 2004) over unissued ordinary shares in the Company.

David Raymond Teplitzky

Dr Teplitzky was appointed as a non-executive director of the Company on 18 March 2002. He was the retired Director of American Cyanamid Company and the former Managing Director of Formica Australia Limited and Lederle Pharmaceutical. He is Executive Chairman of Hydrocool Pty Limited and has been active for many years in venture capital and high technology companies in Australia and South-East Asia as a consultant and director. He has been a Director of Macquarie Goodman Management Limited since 1990, was Chairman in 1998/99 and became Deputy Chairman in October 2000.

Dr Teplitzky has no direct or indirect interest in any ordinary shares in the Company. He has a direct interest in 1,000,000 7.6 cent options (expiring on 31 March 2007) over unissued ordinary shares in the Company.

The Directors' Statutory Report (Cont.)

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was continuing development of the HiTec Electrofuel project. During the year there was no change in the nature of this activity.

FINANCIAL RESULTS

The loss after income tax for the year ended 30 June 2004 was \$1,860,592 (2003 loss: \$1,326,968).

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

The Company's activities during the year are outlined in the Review of Operations section of the Annual Report.

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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, the Company raised capital of \$5 million from a combination of a Share Purchase Plan open to existing shareholders and a Prospectus offering open to all investors. The purpose of the capital raising was to enable the purchase in October 2003 of the Kalgoorlie electrowinning and solvent extraction assets, located adjacent to the OMG Cawse Pty Ltd nickel plant some 55km north west of Kalgoorlie.

FUTURE DEVELOPMENTS

The likely developments in the operations of the Company are outlined in the Review of Operations, which forms part of the Annual Report.

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 likely, in the opinion of the Directors of the economic entity, to affect substantially:

1. the operation of the economic entity;
2. the result of those operations; and
3. the state of affairs of the economic entity in the financial year subsequent to 30 June 2004.

The Directors' Statutory Report (Cont.)

SHARE OPTIONS

At the date of this report there were 33,350,000 unlisted options over shares in the Company, comprising the following:

- (i) 14,800,000 unlisted options issued pursuant to the Employee Option Incentive Scheme, being:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
4,750,000	20 cents	31/12/2004
4,900,000	13.5 cents	31/12/2004
1,150,000	13.5 cents	31/03/2006
1,500,000	7.6 cents	20/05/2007
1,000,000	7.6 cents	31/03/2007
1,500,000	7.6 cents	24/11/2008

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

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

No options were exercised during the financial year.

INDEMNIFYING OFFICER OR AUDITOR

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer, for the costs or expenses to defend legal proceeding.

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.

This report is signed in accordance with a resolution of the directors.

Dated the 22nd day of September 2004



ALAN SCOTT
Managing Director & CEO

Corporate Governance Statement

For the year ended 30 June 2004

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 July 2003 to 30 June 2004. These practices encompass the principles recommended by the ASX Corporate Governance Council.

Board of Directors

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals. Due to the size of the Board, all issues are considered by the full Board. The Board has established a framework for the management of the Company including an overall framework of internal control, risk management and ethical standards.

Composition of Board

The Directors of the Company in office at the date of this statement are:

Name	Age	Position	Special Expertise
Norman Coldham-Fussell	66	Chairman	Resource Industry
Alan Scott	56	Managing Director & CEO	Resource Industry
Marcus Hugh Titley	62	Non-Executive Director	Stockbroking
Rodney Philip Boulton Harris	62	Executive Director	Engineering
David Raymond Teplitzky	74	Non-Executive Director	Consultancy

The Company's Chief Executive Officer (CEO) has the responsibility for guiding management in effectively carrying out tasks and achieving job task objectives. The Company has a very small number of senior executives and management, and there are regular formal and informal opportunities for management to interact with board members.

The full Board meets on a bi-monthly basis with a comprehensive set of board papers issued one week before the meeting for consideration and discussion. The Board as a whole makes decisions on important Company issues.

The Board of the Company comprises of a non-executive independent Chairman, two other non-executive directors, and two executive directors. The Board believes that this structure is effective for the current range of duties of the Board to be properly discharged.

Once the Company becomes operational in the business of producing EMD, a different board structure may be appropriate to include directors with operational experience.

To ensure that ethical standards are upheld, the Company has formulated a Company policy for directors, executives and employees concerning dealing in Company securities. This policy is as follows:

Company policy and the Corporations Act 2001, prohibits directors and employees 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.

Corporate Governance Statement (Cont.)

In accordance with good practice and to assist in the avoidance of any inadvertent breach of the Corporations Act 2001, the policy of the Company in relation to dealings by Directors and employees in securities of the Company is as follows:

A Director or employee may only purchase, transfer, or otherwise deal in securities of the Company during a 30 day period commencing three days after:

- (a) The release of the Company's annual report to the ASX;
- (b) The release of the Company's half yearly financial report to the ASX;
- (c) The release of a quarterly report by the Company to the ASX pursuant to Listing Rule 4.7B;
- (d) The annual general meeting of the Company; or
- (e) The release of a Company prospectus.

The 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 and employee is required to satisfy themselves that any dealings in securities of the Company which they undertake is not in breach of the Corporations Act 2001.

Company full year financial statements and half yearly accounts are submitted to the Board for review and discussion. The external auditor attends board meetings when required to discuss any accounting and auditing issues.

The signing off of the annual accounts is a matter considered by the whole Board together with the Company Secretary and external auditor.

As the entire Board is involved, no separate audit committee has been established. The Board also believes that the small size of the Company and the current stage of its EMD project does not warrant such a separate committee.

The responsibilities of the Board in this area do ordinarily include:

- reviewing internal controls and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission, Australian Stock Exchange and financial institutions;
- improving the quality of the accounting function;
- nomination of the external auditor;
- 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;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

Corporate Governance Statement (Cont)

In the Company's current stage of development, matters of critical importance arise regularly. The CEO will discuss significant issues with board members and jointly will make a decision on the timely release of factual and balanced information concerning the Company's activities.

The Company recognises the important role of communicating with shareholders, and has for several years employed a part-time investor relations officer to impart information about current and proposed activities.

Communication is also made available to shareholders via the Company's website.

The external auditor is invited to the Company's general meeting as a matter of course and is available for any shareholder question.

The Board as a whole considers risk management and internal control.

Risk identification and risk amelioration strategies are an invaluable part of every manager's and every Board member's daily decision-making process.

As the Board is involved in the remuneration process, no separate remuneration committee has been established. The matter of remuneration is an unalienable function of the Board, lead by the Chairman.

Disclosure of the five highest paid officers remuneration is contained in the annual report as required by the Corporations Act 2001.

Director's Declaration

The Directors of the Company declare that:

- 1) the financial statements and notes, as set out on pages 15 to 31 are in accordance with the Corporations Act 2001 and;
 - a) comply with Accounting Standards and the Corporations Regulations 2001;
 - b) give a true and fair view of the financial position of the Company as at 30 June 2004 and its performance for the year ended on that date.
- 2) 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.

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

Dated at Perth, this 22nd day of September 2004



ALAN SCOTT
Managing Director & CEO

**INDEPENDENT AUDIT REPORT
TO MEMBERS OF HITEC ENERGY LIMITED**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for HiTec Energy Ltd (the company), for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

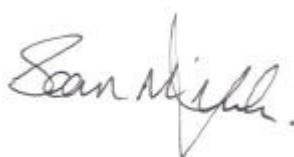
Audit opinion

In our opinion, the financial report of HiTec Energy Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2004, and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



GRANT THORNTON
CHARTERED ACCOUNTANTS



SEAN MCGURK
Partner

Signed at Perth this 23 day of September 2004

Statement Of Financial Position

As at 30 June 2004

	Note	Company	
		30/06/2004 \$	30/06/2003 \$
Current assets			
Cash Assets	22	2,099,849	537,354
Receivables	3	48,888	13,951
Total current assets		2,148,737	551,305
Non-current assets			
Receivables	3	10,252	10,150
Other financial assets	18	1	1
Plant & equipment	4	2,298,229	105,999
Other	5	3,426,632	3,148,043
Total non-current assets		5,735,114	3,264,193
Total assets		7,883,851	3,815,498
Current liabilities			
Payables	6	303,844	130,332
Provisions	7	40,825	35,392
Total current liabilities		344,669	165,724
Net assets		7,539,182	3,649,774
Equity			
Contributed equity	2	31,945,648	26,195,648
Accumulated losses	21	(24,406,466)	(22,545,874)
Total equity		7,539,182	3,649,774

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement Of Financial Performance

For the year ended 30 June 2004

	Note	Company	
		30/06/2004 \$	30/06/2003 \$
Classification of expense by nature			
Revenue from ordinary activities	8	1,989,486	420,310
Net book value of asset disposal		(1,298,654)	-
Employee benefits expense		(822,756)	(822,921)
Depreciation and amortisation expenses	9	(259,530)	(92,359)
Other expenses from ordinary activities	9	(1,469,138)	(831,998)
Loss from ordinary activities before related income tax expense		(1,860,592)	(1,326,968)
Income tax expenses relating to ordinary activities		-	-
Loss from ordinary activities after income tax		(1,860,592)	(1,326,968)
Total changes in equity other than those resulting from transactions with owners as owners		(1,860,592)	(1,326,968)
Basic loss per share (cents per share)	15	(0.45)	(0.43)
Diluted loss per share (cents per share)	15	(0.44)	(0.42)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement Of Cash Flows

For the year ended 30 June 2004

	Note	Company	
		30/06/2004 \$	30/06/2003 \$
Cash flows from operating activities			
Receipts from operations		8,810	19,223
Receipts from AusIndustry		303,631	-
Receipt from R&D Tax Concession		105,368	371,285
Payments to suppliers and employees		(2,130,308)	(1,532,440)
Interest received		71,677	29,802
Net cash (used in) operating activities	23	(1,640,822)	(1,112,130)
Cash flows from investing activities			
Payments for plant & equipment		(7,350)	-
Receipts from sale of Plant		-	180,000
Payment for OMG Plant		(2,500,000)	-
Receipt from sale of surplus plant		1,500,000	-
Payment for Electrofuel Project		(505,728)	(244,501)
Payments for Ant Hill		(33,605)	(22,595)
Net cash (used in) investing activities		(1,546,683)	(87,096)
Cash from financing activities			
Proceeds from issue of shares		5,000,000	1,523,730
Payments for share placements		(250,000)	(74,316)
Net cash provided by financing activities		4,750,000	1,449,414
Net increase in cash held		1,562,495	250,188
Cash at 1 July 2003		537,354	287,166
Cash at 30 June 2004	22	2,099,849	537,354

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 1 Statement of accounting policies

In order to assist in the understanding of the accounts, the following summary explains the material accounting policies that have been adopted in the preparation of the accounts.

a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, the Corporations Act 2001, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies have been consistently applied unless otherwise stated. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report covers HiTec Energy Ltd as an individual entity. HiTec Energy Ltd is a listed public company and is domiciled in Australia.

b) Exploration expenditure

The Company's policy with respect to project expenditure is to use the "Area of interest" method. Under this method, expenditure and any revaluation increments are carried forward on the following basis;

- (i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or to write off project development costs.
- (ii) Project development costs are carried forward provided the rights to tenure of the area are current and provided that at least one of the following conditions is met:-
 - (a) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
 - (b) project activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area are continuing.

Where at least one of the above conditions is not met, costs are written off as incurred.

- (iii) Accumulated costs in relation to an abandoned area are written off in full against profit and loss in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Each area of interest is limited to the size related to known or probable mineral resources capable of supporting a mining operation.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 1 Statement of accounting policies (continued)

c) Income taxation

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on the operating loss from ordinary activities adjusted for permanent differences. Timing differences which arise due to the different accounting periods in which items of income and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred tax or a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. The Directors consider it prudent not to recognise the future income tax benefits of unconfirmed tax losses and the losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

d) Plant & equipment

Plant and equipment are measured on the cost basis, less where applicable, accumulated depreciation. The depreciable amount of all fixed assets is depreciated over their useful lives on a straight line basis, commencing from the time the asset is held ready for use. 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 cashflows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The depreciation rates used for each class of depreciable assets are:

Office furniture and equipment	5% - 100%
Plant and equipment	20% -100%

e) Comparative figures

Where required, comparative figures have been amended to conform with current year presentation.

f) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at their nominal amount.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

g) Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of the investments. The recoverable amount is assessed from the underlying net assets of the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 1 Statement of accounting policies (continued)

h) Leases

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.

i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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.

Receivables and payables in the Statement of Financial Position are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

j) Research and development expenditure

Research and Development costs are charged to profit / (loss) from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax.

Revenue received from R&D Tax Concessions is recognised upon receipt of the concession.

l) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for the financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Directors will oversee and manage the entity's transition to IFRS. They will seek to keep shareholders informed as to the impact of the new standards as they are finalised.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

l) **Adoption of Australian Equivalents to International Financial Reporting Standards (cont)**

The Directors are of the opinion that the key differences in the entity's accounting policies which will arise from the adoption of the IFRS are:

- **Research & Development Expenditure**

Standard AASB 138: Intangible Assets further requires that costs associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

- **Impairment of Assets**

The entity currently determines that recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less cost to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

- **Non-Current Investments**

Under the AASB 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

- **Income Tax**

Currently, the entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

- **Derivative Financial Investments**

The entity does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

	Company	
	30/06/2004 \$	30/06/2003 \$
Note 2 Contributed equity		
Balance at the beginning of the financial period 314,739,284 shares (2003: 290,772,661 shares)	26,195,648	24,746,234
Movement for the period:		
47,475,000 fully paid ordinary shares at 4 cents Issued 28/08/2003	1,899,000	-
7,300,000 fully paid ordinary shares at 4 cents Issued 18/09/2003	292,000	-
70,225,000 fully paid ordinary shares at 4 cents Issued 10/10/2003	2,809,000	-
8,000,000 fully paid ordinary shares at 12.5 cents Issued 24/10/2003	1,000,000	-
15,404,700 fully paid ordinary shares at 6.5 cents Issued 28/08/2002	-	1,001,305
7,461,923 fully paid ordinary shares at 6.5 cents Issued 06/09/2002	-	485,025
Exercise of 200,000 options exercised at 3.4 cents Issued 09/08/2002	-	6,800
Exercise of 300,000 options exercised at 3.4 cents Issued 23/08/2002	-	10,200
Exercise of 500,000 options exercised at 3.4 cents Issued 29/10/2002	-	17,000
Exercise of 100,000 options exercised at 3.4 cents Issued 05/02/2003	-	3,400
Balance at the end of the financial period 447,739,284 shares (2003: 314,739,284)	32,195,648	26,269,964
Transaction costs relating to Share Issue	(250,000)	(74,316)
Total contributed equity	<u>31,945,648</u>	<u>26,195,648</u>

Ordinary shares participate in dividends and the proceeds on winding up of the Company would be distributed in proportion to the number of the shares held.

At shareholders 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 And Forming Part Of The Financial Statements

For the year ended 30 June 2004

		Company	
		30/06/2004	30/06/2003
		\$	\$
Note 3	Receivables (current)		
	Sundry debtors	48,888	13,951
	Total current receivables	<u>48,888</u>	<u>13,951</u>
	Receivables (non-current)		
	Performance bonds	10,252	10,150
	Total non-current receivables	<u>10,252</u>	<u>10,150</u>
Note 4	Plant and equipment (non-current)		
	OMG Cawse Plant at cost	2,322,255	-
	Accumulated depreciation	(106,290)	-
		<u>2,215,965</u>	<u>-</u>
	Marketing office plant & equipment at cost	1,848	1,848
	Accumulated depreciation	(1,074)	(881)
		<u>774</u>	<u>967</u>
	Office furniture and equipment at cost	316,625	309,276
	Accumulated depreciation	(240,781)	(212,386)
		<u>75,844</u>	<u>96,890</u>
	Plant and equipment at cost	58,761	58,761
	Accumulated depreciation	(53,115)	(50,619)
		<u>5,646</u>	<u>8,142</u>
	Total property, plant and equipment	<u>2,298,229</u>	<u>105,999</u>

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture & Equipment \$	Plant & Equipment \$	OMG Cawse Plant \$	Total \$
Balance at the beginning of year	96,890	9,109	-	105,999
Additions	7,349	-	3,660,195	3,667,544
Disposals	-	-	(1,298,654)	(1,298,654)
Depreciation expense	(28,395)	(2,689)	(145,576)	(176,660)
Balance at the end of year	<u>75,844</u>	<u>6,420</u>	<u>2,215,965</u>	<u>2,298,229</u>

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

		Company	
		30/06/2004	30/06/2003
		\$	\$
Note 5	Other (non-current)		
	(i) Exploration expenditure:		
	Balance brought forward at cost in respect of areas of interest in development phase	1,484,424	1,461,830
	Expenditure incurred during the period	33,606	22,594
	Total exploration expenditure at cost	<u>1,518,030</u>	<u>1,484,424</u>
	In accordance with the Company's accounting policy stated in Notes 1(b) and 1(j) the directors have considered the carrying value of capitalised Electrofuel Project and Ant Hill development expenditure and believe that the potential of the project justifies the capitalised values. Ultimate recoupment of the expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the project.		
	(ii) Research & development expenditure		
	Cost brought forward	1,066,589	825,835
	Add Expenditure incurred during the year	288,697	240,754
	Less accumulated amortisation	<u>(54,493)</u>	<u>-</u>
		1,300,793	1,066,589
	Patents & licenses		
	Cost brought forward	597,030	593,283
	Add expenditure incurred during the year	39,156	3,747
	less accumulated amortisation	<u>(28,377)</u>	<u>-</u>
		607,809	597,030
	Total other non-current assets	<u>3,426,632</u>	<u>3,148,043</u>
Note 6	Payables (current):		
	Trade creditors and accruals - unsecured	303,844	130,332
	Total current payables	<u>303,844</u>	<u>130,332</u>
Note 7	Provisions (current):		
	Employee entitlements	27,849	22,417
	Other	12,976	12,975
	Total current provisions	<u>40,825</u>	<u>35,392</u>
	(a) Aggregate employee entitlement liability	27,849	22,417
	(b) Number of employees at year end	6	6

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

	Company	
	30/06/2004	30/06/2003
	\$	\$
Note 8 Revenue		
Operating activities		
Interest received from other corporations	71,677	29,802
Rental income	7,200	7,200
Proceeds on Sale of plant	1,500,000	-
R & D Start Grant	303,631	-
R&D Tax Concession	105,368	371,285
Other income	1,610	12,023
Total revenue	1,989,486	420,310

Note 9 Loss from ordinary activities

Loss from ordinary activities includes the following expenses:

Amortisation of R & D Expenditure	54,493	-
Amortisation of Patents & Licenses	28,377	-
Depreciation of Property, Plant & Equipment	176,660	92,359
Company Secretarial Costs	44,270	44,300
Financial & Consultancy Fees	181,380	88,427
Insurance	159,233	77,294
Legal Expenses	71,379	29,376
Marketing & Promotion	107,599	92,836
R & D Start Grant Expenditure	499,586	-
Rental Expenses & Outgoings on Operating Leases	92,457	83,668
Stock Exchange Fees & Reports	68,057	50,237
Share Registry Costs	13,849	7,579
Travel Expenses	157,073	160,897
Loss on Sale of Plant	-	41,568

Note 10 Remuneration of directors and executives

Directors' And Executives Emoluments

Details of the nature and amount of the emoluments of each Director of the Company and each of the named officers receiving the highest emoluments are:

2004	Primary Benefit	Post Employment Benefit	Equity	Total
	Salaries & Fees	Superannuation	Options*	
Director	\$	\$	\$	\$
Mr N Fussell	45,500	4,500	-	50,000
Mr A Scott	265,096	9,904	24,421	299,421
Mr RPB Harris	98,300	61,700	-	160,000
Mr MH Titley	23,000	2,000	-	25,000
Dr DR Teplitzky	23,000	2,000	-	25,000
	454,896	80,104	24,421	559,421

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 10 Remuneration of directors and executives (Cont)

2003 Director	Primary Benefit	Post Employment Benefit	Equity	Total
	Salaries & Fees \$	Superannuation \$	Options* \$	
Mr N Fussell	46,000	4,000	-	50,000
Mr A Scott	265,096	9,904	21,095	296,095
Mr RPB Harris	120,300	39,700	-	160,000
Mr MH Titley	23,000	2,000	-	25,000
Dr DR Teplitzky	23,000	2,000	14,217	39,217
	477,396	57,604	35,312	570,312

* This relates to the implied value of options issued to directors and officers during the year using the Black & Scholes option-pricing model. The valuation of the options has been estimated at 6 cents each for options expiring on 20/05/2007, 31/03/2007 and 24/11/2008 exercisable at 7.6 cents each.

The remuneration structure for executive officers including executive directors, seeks to emphasise payment for results through providing reward schemes such as the Employee Option Incentive Scheme.

2004 Director	Equity			Total
	Shares		Options	
	Direct Interest	Non-Direct / Beneficial Interest		
Mr N Fussell	338,334	1,997,667	2,000,000	4,336,001
Mr A Scott	924,921	-	3,000,000	3,924,921
Mr RPB Harris	439,667	-	2,000,000	2,439,667
Mr MH Titley	3,000,000	7,125,000	2,000,000	12,125,000
Dr DR Teplitzky	-	-	1,000,000	1,000,000
	4,702,922	9,122,667	10,000,000	23,825,589

2003 Director	Equity			Total
	Shares		Options	
	Direct Interest	Non-Direct / Beneficial Interest		
Mr N Fussell	338,334	1,991,667	2,000,000	4,336,001
Mr A Scott	924,921	-	1,500,000	2,424,921
Mr RPB Harris	439,667	-	2,000,000	2,439,667
Mr MH Titley	3,000,000	7,125,000	2,000,000	12,125,000
Dr DR Teplitzky	-	-	1,000,000	1,000,000
	4,702,922	9,122,667	8,500,000	22,325,589

Names and positions held of the entity directors in office at any time during the financial year are detailed on pages 6 and 7 of this financial statements and report.

There are no specified executives of the Company as the directors are accountable and responsible for the strategic direction and operational management of the Company.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

	Company	
	30/06/2004	30/06/2003
	\$	\$
Note 11 Auditors remuneration		
The following total remuneration was received or was receivable by the auditor of the Company in respect of:		
Auditing or reviewing the accounts	11,590	12,550
Other services	17,450	22,500
	<u>29,040</u>	<u>35,050</u>

Note 12 Income tax losses

At 30 June 2004, the Company has estimated carry forward tax losses of \$12,680,117 (2003 - \$10,819,525 as returned) available to offset against future taxable income. The benefits of these losses will only be obtained if:

- (a) 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; and
- (b) the Company continues to comply with the conditions of deductibility imposed by tax legislation; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from deductions for the losses.

Prima facie income tax benefit calculated at 30% of operating loss for year	(558,178)	(398,090)
Non tax-deductible future income tax benefit not brought to account	558,178	398,090
Income Tax Expense	<u>-</u>	<u>-</u>

Note 13 Contingent liabilities

Legislative developments and judicial decisions regarding Native Title may have an impact of 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 And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 14 Related Parties

a) Related party transactions

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.

b) Remuneration, retirement benefits and Director-related entities

- i) There were no management or consulting fees paid during the year to any Director related entities
- ii) The aggregate number of shares held by Directors of the Company and their Director related entities at 30 June 2004 were:

	Class of Shares	Number
HiTec Energy Ltd	Ordinary Shares	13,825,589 (2003: 13,019,589)

	Company	
	30/06/2004	30/06/2003
	\$	\$
Note 15 Earnings per share		
Basic earnings per share (loss) cents per share	(0.45)	(0.43)
Diluted earnings per share (loss) cents per share	(0.44)	(0.42)
Weighted number of ordinary shares on issue at end of the year	416,662,640	310,356,704
Effect of diluted securities – share options	2,755,102	3,098,639
Adjusted weighted average number of ordinary shares on issue at the end of the financial year	419,417,742	313,455,343

Options outstanding have been classified as potential ordinary shares and are included in the determination of diluted earnings per shares

Note 16 Commitments of expenditure

- a) The Company has certain obligations to perform minimum exploration expenditure work on mining tenements. These obligations may vary from time to time in accordance with the Company's exploration budget and Department of Mineral and Energy expenditure requirements.

Project	Tenement	Anniv. Date	Area (Km ²)	Annual Expenditure commitment	Interest
Ant Hill	ML 46/237-238	02/11/04	15.3	\$153,100	100%
Port Hedland	G 45/265	05/06/05	0.5	-	100%
Port Hedland	G 45/266	*	0.3	-	100%

* pending withdrawal

All expenditure commitments due at 30 June 2004 have been met (or waived).

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 16 Commitments of expenditure (Cont)

	Company	
	30/06/2004	30/06/2003
	\$	\$
b) Operating lease commitments		
Payable not later than 1 year	25,500	51,000
Later than 1 year but no later than 5 years	-	22,500
	25,000	73,500

The property lease is for the rental of 1st Floor, 1 Walker Avenue West Perth and expires on 31 December 2004 and an option exists to renew the lease for an additional 18 months. Monthly rent is payable in advance.

Note 17 Segment reporting

The Company operates in one industry and geographic segment being EMD development in Australia.

Note 18 Investments

The Company has 100% control of SRDC NL, a company incorporated in Australia on 2 February 1998. The operating result of this controlled entity has not been consolidated in these Financial Statements on the basis that it is not considered material.

Investment in controlled entity (SRDC NL) at cost	1	1
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Note 19 Financial instruments

a) Interest rate risk

The Company's exposure to 'interest rate risk', which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities is as follows:

	Floating interest rate	Fixed interest rate maturing within 1 year	Non-interest bearing	Total
2004				
Financial assets				
Cash	92,248	2,000,000	7601	2,099,849
Receivables - current	-	-	48,888	48,888
- non-current	10,252	-	-	10,252
Total financial assets	102,500	2,000,000	56,489	2,158,989
Weighted average interest rate	1.45%	5.10%		
Financial liabilities				
Payables	-	-	(303,844)	(303,844)
Total financial liabilities	-	-	(303,844)	(303,844)
Net financial assets (liabilities)	102,500	2,000,000	(247,355)	1,855,145

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2004

Note 19 Financial instruments (cont)

	Floating interest rate	Fixed interest rate maturing within 1 year	Non-interest bearing	Total
2003				
Financial assets				
Cash	214,229	315,322	7,803	537,354
Receivables - current	-	-	13,951	13,951
non-current	10,150	-	-	10,150
Total financial assets	224,379	315,322	21,754	561,455
Weighted average interest rate	2.45%	4.23%		
Financial liabilities				
Payables	-	-	(130,332)	(130,332)
Total financial liabilities	-	-	(130,332)	(130,332)
Net financial assets (liabilities)	224,379	315,322	(108,578)	431,123

b) Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts of those assets, as disclosed in Statement of Financial Position and notes to the financial statements.

c) Net fair values

The net fair values of financial assets and financial liabilities, as disclosed in the Statement of Financial Position, approximates their carrying values.

Note 20 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 likely, in the opinion of the Directors of the economic entity, to affect substantially:

1. the operation of the economic entity;
2. the result of those operations; and
3. the state of affairs of the economic entity in the financial year subsequent to 30 June 2004.

	Company	
	30/06/2004	30/06/2003
	\$	\$
Note 21 Accumulated losses		
Accumulated losses brought forward	(22,545,874)	(21,218,906)
Loss from ordinary activities after income tax	(1,860,592)	(1,326,968)
Accumulated losses carried forward	(24,406,466)	(22,545,874)

Notes To The Statement Of Cash Flows

for the year ended 30 June 2004

Note 22 Reconciliation of cash

For the purpose of the statement of cash flows, cash includes:

- (a) cash on hand and on call, term deposits with banks or financial institutions, net of bank overdrafts; and
- (b) investments in money markets instruments with less than 14 days to maturity.

Cash at the end of the period as shown in the Statement of Cash Flows equals the related item in the Statement of Financial Position.

	Company	
	30/06/2004	30/06/2003
	\$	\$
	<hr/>	<hr/>
Note 23 Reconciliation of net cash used by operating activities with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(1,860,592)	(1,326,968)
Add/(less) items classified as investing/financing activities:		
(Gain) / Loss on disposal of assets	(201,346)	41,567
Add/(less) non-cash items:		
Depreciation	176,660	92,359
Amortisation expense	82,870	-
Write down of investment	-	3,000
Changes in assets and liabilities:		
(Increase)/decrease in sundry debtors and prepayments	(35,041)	23,837
Increase in trade creditors and accruals	193,182	52,833
Increase in provisions	3,445	1,242
	<hr/>	<hr/>
Net cash used by operating activities	<u>(1,640,822)</u>	<u>(1,112,130)</u>

Additional Information

Additional information as at 8 September 2004, required by the Listing Rules of the Australian Stock Exchange Limited:

1. DISTRIBUTION OF SHAREHOLDERS

	No of Shareholders
1 - 1,000	98
1,001 - 5,000	391
5,001 - 10,000	526
10,001 - 100,000	2,356
100,001 - over	949
	<u>4,320</u>

2. MARKETABLE PARCEL

A marketable parcel is a holding with a value of at least \$500 at the prevailing share price as at 8 September 2004. There are at this date 1,124 shareholders with holdings 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 8 September 2004	Holding	Percent
ABN AMRO Australia Limited	8,000,000	1.786
MH & JM Tittley	7,125,000	1.591
National Nominees Limited	5,917,892	1.321
Pabu Pty Ltd (The Jade Unit Account)	5,130,934	1.145
ANZ Nominees Limited	4,252,766	0.949
Warren Brown & Associates Pty Ltd	4,091,773	0.913
Perpetual Custodians Limited	3,370,000	0.752
Kuyan Pty Ltd	3,125,000	0.697
MH Tittley	3,000,000	0.670
Oldstock Investments Pty Ltd (Oldstock Retirement Account)	2,952,334	0.659
Kizogo Pty Limited	2,805,827	0.626
MEJ Loane	2,656,334	0.593
Presentation Congregation Queensland	2,500,000	0.558
KG & LA Parnell	2,500,000	0.558
TF O'Brien (TF O'Brien Family Account)	2,375,000	0.530
A Lester	2,200,000	0.491
Pabu Pty Ltd (Pabu Pty Ltd Super Fund)	2,125,000	0.474
Powerplay Sports Management Pty Ltd	2,088,600	0.466
DR F & ME Zaccari	2,000,000	0.446
NCF Investments Pty Ltd (Waverley Super Fund Account)	1,991,667	0.444

The Percentage of the total holding held by the twenty largest holders of ordinary shares was 15.7%. (2003: 15.1%)