



1 Walker Avenue, West Perth
Western Australia 6005
Ph: +61 89 321 6033
Fx: +61 89 321 6001

www.hitec-energy.com.au

25 October 2005

The Manager
Companies Announcements Office
Australian Stock Exchange Ltd
Level 4, 20 Bridge Street
SYDNEY NSW 2000

via Electronic Lodgement

Dear Sir/Madam

Please find attached the HiTec Energy Ltd 2005 Annual Report with Financial Statements as previously lodged on 30 September 2005, now including the Chairman's Report and Additional Information which are to be found on Page 2 and the last page respectively.

Yours faithfully

GREG LEDGER
Company Secretary

HITEC ENERGY LIMITED

2005 ANNUAL REPORT

Corporate Directory

Directors

N Coldham-Fussell AO
Chairman

A Scott
Managing Director

MH Titley
Non-Executive Director

DR Teplitzky
Non-Executive Director

Company Secretary

RG Ledger

Management

A Scott
Chief Executive Officer

CB Ward
General Manager Operations

PD Moore
General Manager Marketing

Principal & Registered Office

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

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

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

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6008

Stock Exchange Listing

Australian Stock
ASX Code: HTE

Postal Address

PO Box 1597
West Perth WA 6872

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Chairman's Report

In the year since my last report, progress towards our goal of establishing an EMD production facility, incorporating our patented production know-how, has been painfully slow.

The first half of the financial year was consumed by feasibility study related issues, which took longer than anticipated to complete, but were eventually progressed to a point in January 2005 where the Board decided to seek finance for an EMD plant development at Kalgoorlie.

HiTec was forced to rethink these plans over the following three months following a decision by OMG Cause Nickel Operations not to proceed with the integrated flowsheet approach that we had been jointly pursuing. The outcome was a recast plan, which reflected a Kalgoorlie plant that would be largely standalone from the existing nickel plant, other than for the sharing of some key services.

The Board then resolved to shelve its revised Kalgoorlie plans due to fast rising construction costs in WA, and more recently to sell off its Kalgoorlie assets in order to pursue an acquisition opportunity instead. This opportunity has arisen as an existing EMD plant with existing markets, owned by an oil and gas company, was put up for sale as part of the divestment of that company's chemical division.

Acquiring this existing EMD plant is potentially a superior project for a number of reasons, not the least of which is the potentially lower capital cost. HiTec is able to consider acquiring this existing plant because of its patented technical know-how, which we believe can be employed to enhance the plant's current economic and environmental performance.

Unfortunately HiTec was not able to convince the seller to carve out the EMD plant from the chemical division before divesting the latter. As a consequence, we have had to wait for an opportunity to deal with the buyer of the chemical division, who we believe will not wish to retain the EMD business, as it is unrelated to the main business it has bought and generates only 2% of the chemical division revenues.

Whilst these delays are unfortunate, and upsetting for all concerned, we must delay any decision on the construction of a new plant until after we have assessed this acquisition opportunity, as going ahead with a new plant, would almost certainly rule out also seeking to acquire the plant that is now for sale.

It is for these reasons that we have sought to replenish our working capital through the sale of the Kalgoorlie Assets so that we may pursue the plant acquisition aggressively over coming months.

Shareholders should be assured that every effort is being made to move HiTec to a position where it can seek to profit from the now much improved market context for EMD producers.



NORMAN FUSSELL, Chairman

Review of Operations

The past twelve months has been a very difficult and frustrating period for HiTec, which has seen a lot of good work put in to advance the project, but to date no results that can be pointed to as evidence that we are closer to achieving our goals.

Despite this, we remain convinced that our goal of establishing an EMD production facility that demonstrates our patented sulfur dioxide leach process is one that can generate strong, long term revenues that will benefit our shareholders.

The particular challenge for HiTec has always been to achieve this goal at the lowest possible capital cost, and hence lowest possible dilution for existing shareholders. In this context, the current delay whilst we assess an acquisition route versus a development route makes a huge amount of sense.

The acquisition route should be cheaper despite the fact that we would need to install a new electrolyte production circuit at the plant. The plant's existing process for electrolyte production is uneconomic and environmentally inferior. It must be replaced if the plant is going to have an extended lifespan.

A second challenge for HiTec has always been to be in production at the point that the alkaline EMD product market turned positive for producers, as we have long predicted it would. This point has now been reached and although we are not in production today, we could be in the very near future if we are able to acquire a plant rather than construct one. Hence, as frustrating as it is at the moment, we intend to continue to pursue an acquisition route, in preference to a development, until such time as it becomes clear that this is not the best course of action for HiTec to take.

This last year, the long predicted shortages of quality EMD (and in fact all EMD qualities) have finally become evident in the market place. Supplies have been short all year and price rises have only been contained by the use of lower quality materials and early annual contract setting for 2005. In addition to restraining price rises, the effect of these actions has been to push the shortages downwards to the smaller alkaline battery producers and to the zinc carbon battery producers generally.

However, the root causes of the supply shortages, namely the long term lack of profitability for EMD producers leading to chronic under investment in the industry at a time when demand for the product continues to expand, means that the shortages will be persistent. It is instructive to note that all new plant proposals, wherever sited, have significantly higher cost structures as a result of across the board higher input costs and that a number of existing plants remain at risk of closure for operational reasons, despite the higher product prices likely to prevail.

HiTec anticipates that both contract and spot prices for 2006 will be substantially up on 2005 achieved prices and that these higher prices will persist for some years, driven by increased demand for alkaline and other battery forms that consume high quality EMD. Further more, we anticipate that new alkaline quality EMD production capacity introduced over the new few years will struggle to replace old capacity that will drop out.

Review of Operations (Continued)

Concurrent with our efforts to acquire a plant, we continue in our efforts to secure approvals for the development of a plant here in Western Australia. Towards this end, we believe we have achieved important breakthroughs over the last twelve months that will contain the costs of sourcing manganese units for a Kalgoorlie based plant, whether these are derived from our own mining leases or purchased from third parties.

These efforts will continue even if we are successful in acquiring a plant elsewhere as there are potential synergies between the existing plant that we wish to acquire and a second plant development that we would seek to exploit. These synergies could have the effect of reducing the capital required at Kalgoorlie and negating the need for offtake contracts in support of a fundraising.

As noted in the Chairman's Report, we have taken steps to ensure that we have the working capital required to fund the Company whilst we continue to assess our options. The sale of the solvent extraction plant will provide capital that would otherwise need to be raised from shareholders and its loss of use to HiTec is by no means critical. (It was not our intention to acquire this plant in the first place and, despite defining a means of using it to our economic advantage, it did increase our project's risk as perceived by financiers.)

The overall effect of selling the solvent extraction plant, and of disengaging our proposed process from that of OMG Cawse Nickel Operations, is to reduce project risk considerably by returning to the process flow sheet that was so well proven by the operation of the Company's demonstration plant at the Parker Centre for advanced hydrometallurgy, based at Murdoch University here in Perth.

In conclusion, a few words need to be said about the accounting policies adopted this year that have resulted in large write-offs, of previously carried forward expenditures, to the Statement of Financial Performance.

These write-offs of 'intangible assets' are non-cash transactions that do not reflect any perceived change in the intrinsic value of the Company. Our reasoning for making the write-offs was that since we were able to do this under existing Australian reporting standards, then we should do so, as we may well wish to use our Annual Report in support of fundraising activities next year and it was therefore prudent, in dealing with these intangible assets on the Statement of Financial Position, to adopt the most conservative treatment.

Furthermore, from a practical standpoint, it is possible that we may have operating business income and expenses for the first time next year and the Board considered that future reporting of operational results will therefore potentially be less affected by transitional accounting standard adjustments than otherwise may have applied next year.



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ALAN SCOTT

Managing Director

Directors' Report

The Board of Directors has pleasure in submitting its report for the year ended 30 June 2005.

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, 45 years experience, AO, FCPA, FAusIMM, FCIS, FAIM, FAICD	Chairman
A Scott	Company Director, 39 years experience.	MD & CEO
MH Titley	Company Director, 41 years experience.	Non-Executive Director
DR Teplitzky	Company Director, 43 years experience.	Non-Executive Director
RPB Harris	Retired 30/11/2004	

Directors' Meetings

The following table sets out the number of Board meetings of the Company's directors that each director was eligible to attend during the year ended 30 June 2005 and the number of Board meetings actually attended.

Number of Board meetings	Number attended	Number eligible to attend
N Coldham-Fussell	7	7
A Scott	7	7
MH Titley	7	7
DR Teplitzky	7	7
RPB Harris (Retired 30/11/2004)	3	3

Norman Coldham-Fussell

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, Chairman of Flight Centre Limited from 1995 to 2005, and is currently a director of Namoi Cotton Co-operative Ltd.

Mr Fussell holds a direct interest in 338,334 ordinary shares and a beneficial interest in 1,991,667 ordinary shares of the Company.

Directors' Report (Cont)

Alan Scott

Mr Scott was appointed as Managing Director and Chief Executive Officer of the Company on 20 May 2002 and was appointed non-executive Chairman of Black Range Minerals Ltd on 22 August 2005. Prior to that, he was Managing Director and Chief Executive Officer of Aurora Gold Ltd and spent 22 years with the Rio Tinto/CRA Group, with senior level involvement in many areas including joint venture management, financing, corporate acquisition and divestment activities, commercial negotiation and project engineering. Mr Scott qualified as an accountant and spent 13 years with Coopers & Lybrand in Australia, Canada and the United Kingdom, gaining extensive experience in the resources industry during that time.

Mr Scott holds a direct interest in 924,921 ordinary shares of the Company. He has a direct interest in 1,500,000 7.6¢ options (expiring on 31 May 2007) and 1,500,000 7.6¢ options (expiring on 24 November 2008) over unissued ordinary shares of 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 of the Company and a beneficial interest in 7,125,000 ordinary shares of the Company.

David Raymond Teplitzky

Dr Teplitzky was appointed as a non-executive director of the Company on 18 March 2002. He was formerly a Director of American Cyanamid Company, Managing Director of Formica Australia Limited and Lederle Pharmaceutical and Chairman of Hydrocool Pty Limited. Mr Teplitzky has been active for many years in venture capital and 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 of the Company. He has a direct interest in 1,000,000 7.6¢ options (expiring on 31 March 2007) over unissued ordinary shares of 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 Chartered Accountant and a Bachelor of Commerce (UWA).

PRINCIPAL ACTIVITIES

During the year, the principal activity of the Company continued to be the development of an electrolytic manganese dioxide (EMD) project.

FINANCIAL RESULTS

The loss from ordinary activities after income tax for the year ended 30 June 2005 was \$4,810,982 (2004 loss: \$1,860,592).

Directors' Report (Cont.)

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

There were no significant changes in the state of the Company's affairs during the year.

FUTURE DEVELOPMENTS

The projects that the Company is pursuing are outlined in the Review of Operations section 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, which is likely in the opinion of the Directors, to affect substantially:

1. the operation of the Company;
2. the result of those operations; and
3. the state of affairs of the Company in the financial year subsequent to 30 June 2005.

SHARE OPTIONS

At the date of this report there were 23,700,000 unlisted options over shares in the Company, comprising the following:

- (i) 5,150,000 unlisted options issued pursuant to the Employee Option Incentive Scheme, being:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,150,000	13.5¢	31/03/2006
1,500,000	7.6¢	20/05/2007
1,000,000	7.6¢	14/11/2007
1,500,000	7.6¢	24/11/2008

During the year, 4,750,000 options at an exercise price of 20¢ and 4,900,000 options at an exercise price of 13.5¢ expired.

Directors' Report (Cont.)

SHARE OPTIONS - continued

(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¢	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

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 proceedings.

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 at page 14 of this Annual Report.

NON-AUDIT SERVICES

The external auditor performed no non-audit services during the year ended 30 June 2005.

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

Dated 30 September 2005



ALAN SCOTT
Managing Director

Remuneration Report

This report details the nature and amount of remuneration for directors and specified executives of HiTec Energy Limited receiving the highest remuneration.

REMUNERATION POLICY

The remuneration policy of HiTec Energy Limited has been designed to align director and specified executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of HiTec Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and specified executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and specified executives, was developed and approved by the board. All executives receive a base salary, part of which may be taken as superannuation, and from time to time, options under the Employee Option Incentive Scheme. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Executive directors and specified 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 specified executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

REMUNERATION LINK TO COMPANY PERFORMANCE

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value.

The following table shows the share price and the market capitalisation of the Company at the end of each of the last five financial years. No dividends have been paid during that period.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Share price	12.0¢	6.5¢	5.0¢	4.9¢	2.5¢
Market capitalisation	\$32.5m	\$18.9m	\$15.7m	\$21.9m	\$11.2m

Remuneration Report (continued)

EXECUTIVE DIRECTORS' EMOLUMENTS AND EMPLOYMENT CONTRACTS

Details of the nature and amount of the emoluments of each director and each of the specified executives receiving the highest emoluments are:

2005

Director	Salaries & Fees \$	Superannuation \$	Options \$	Total \$
N Fussell	45,500	4,500	-	50,000
A Scott	265,096	9,904	-	275,000
MH Titley	23,000	2,000	-	25,000
DR Teplitzky	23,000	2,000	-	25,000
RPB Harris (Retired 30/11/2004)	10,967	15,808	-	26,775
	367,563	34,212	-	401,775

2004

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

The implied value of options issued to directors and officers is calculated using the Black & Scholes methodology. The valuation of the options, which are all exercisable at 7.6¢, has been estimated at 1.6¢ each for options expiring on 24/11/2008 and at 1.4¢ each for options expiring on 14/11/2007 and 20/05/2007 respectively.

The remuneration structure for specified executives including executive directors, seeks to emphasise payment for results through providing reward schemes such as the Employee Option Incentive Scheme. Presently, only Mr Scott holds current options in the amount of 3,000,000, with expiry dates of 20/5/2007 (1,500,000 options) and 24/11/2008 (1,500,000 options) respectively. From time to time, non-executive directors have also participated in the Employee Option Incentive Scheme and Dr Teplitzky currently holds 1,000,000 options exercisable at 7.6¢, which expire on 14/11/2007. Options previously held by Messrs. Fussell, Titley and Harris have all expired.

Names and positions of directors in office at any time during the financial year are detailed on page 4 of the Directors' 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. All shares held by directors of the Company, 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, has been 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.

Corporate Governance Statement

For the year ended 30 June 2005

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 July 2004 to 30 June 2005. 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 small size of the Company and 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	67	Chairman	Resource Industry
Alan Scott	57	MD & CEO	Resource Industry
Marcus Hugh Titley	63	Non-Executive Director	Stockbroking
David Raymond Teplitzky	75	Non-Executive Director	Consultancy

The CEO has the responsibility for guiding management in effectively carrying out their tasks and achieving their objectives. The Company has a very small number of senior executives, and there are regular formal and informal opportunities for them to interact with non-executive directors.

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 one executive director. 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 an EMD producer, a different board structure may be appropriate to include directors with appropriate experience.

To ensure that ethical standards are upheld, the Company has formulated a 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 (Continued)

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 status of its EMD project do not warrant such a separate committee.

The responsibilities of the Board in this area 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, and
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

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

Corporate Governance Statement (Continued)

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. Decisions relating to remuneration are an unalienable function of the Board, led by the Chairman.

Disclosure of the remuneration for each director and specified executives is contained in the annual report as required by the Corporations Act 2001.

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 Limited (the company), for the year ended 30 June 2005.

The Company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 1046, under the heading "Remuneration Report" on pages 10 and 11 of the Directors' Report, as permitted by the Corporation Regulations 2001.

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 judgement, 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, including compliance with 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 on pages 16 to 32 and remuneration disclosures, on pages 10 and 11, of HiTec Energy Limited 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 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, the Corporations Regulations 2001, AASB 1046 Director and Executive Disclosures by Disclosing Entities; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(a) to the financial statements, unless the sale of assets does not occur or if additional capital is not raised, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.



GRANT THORNTON
Chartered Accountants



SEAN MCGURK
Partner
PERTH

30 September 2005

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Hitec Energy Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Sean McGurk
Partner
Grant Thornton

PERTH

30 September 2005

Director's Declaration

The Directors of the Company declare that:

- 1) the financial statements and notes, as set out on pages 17 to 32 and the Remuneration Report set out on pages 9 and 10, 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 2005 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.

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

Dated 30 September 2005



ALAN SCOTT
Managing Director

Statement Of Financial Position

As at 30 June 2005

	Note	30/06/2005	30/06/2004
		\$	\$
Current assets			
Cash	22	624,916	2,099,849
Receivables	3	11,862	48,888
		<u>636,778</u>	<u>2,148,737</u>
Non-current assets			
Receivables	3	10,518	10,252
Investment	18	1	1
Plant & equipment	4	2,163,648	2,298,229
Other	7	-	3,426,632
		<u>2,174,167</u>	<u>5,735,114</u>
Total assets		<u>2,810,945</u>	<u>7,883,851</u>
Current liabilities			
Payables	5	55,759	303,844
Provisions	6	26,986	40,825
Total Liabilities		<u>82,745</u>	<u>344,669</u>
Net assets		<u>2,728,200</u>	<u>7,539,182</u>
Shareholders Funds			
Contributed equity	2	31,945,648	31,945,648
Accumulated losses	21	<u>(29,217,448)</u>	<u>(24,406,466)</u>
Net Equity		<u>2,728,200</u>	<u>7,539,182</u>

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

Statement Of Financial Performance

For the year ended 30 June 2005

		<u>30/06/2005</u>	<u>30/06/2004</u>
	Note	\$	\$
Classification of expense by nature			
Revenue from ordinary activities	8	243,264	1,989,486
Net book value of asset disposal		-	(1,298,654)
Employee benefits expense		(707,066)	(822,756)
Depreciation and amortisation expenses	10	(133,404)	(259,530)
Write-off of research and development expenditure	7	(1,300,793)	-
Write-off of exploration expenditure	7	(1,518,030)	-
Write-off of patenting expenditure	7	(607,809)	-
Other expenses from ordinary activities	10	(787,144)	(1,469,138)
		<hr/>	<hr/>
Loss from ordinary activities before income tax		(4,810,982)	(1,860,592)
Income tax expenses relating to ordinary activities	12	-	-
		<hr/>	<hr/>
Loss from ordinary activities after income tax		(4,810,982)	(1,860,592)
		<hr/>	<hr/>
Total changes in equity other than those resulting from transactions with owners as owners		(4,810,982)	(1,860,592)
		<hr/>	<hr/>
Basic loss per share (cents per share)	15	(1.07)	(0.45)
Diluted loss per share (cents per share)	15	(1.07)	(0.44)

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

Statement Of Cash Flows

For the year ended 30 June 2005

		<u>30/06/2005</u>	<u>30/06/2004</u>
	Note	\$	\$
Cash flows from operating activities			
Receipts from operations		68,075	8,810
Receipts from R&D Start Grant		29,988	303,631
Receipt from R&D Tax Concession		81,446	105,368
Payments to suppliers and employees		(1,719,373)	(2,130,308)
Interest received		63,754	71,677
Cash used in operating activities	23	<u>(1,476,110)</u>	<u>(1,640,822)</u>
Cash flows from investing activities			
Proceeds from sale of plant and equipment		1,177	-
Payments for plant & equipment		-	(7,350)
Payment for OMG Plant		-	(2,500,000)
Receipt from sale of surplus plant		-	1,500,000
Payment for research and development		-	(505,728)
Payments for Ant Hill		-	(33,605)
Cash used in investing activities		<u>1,177</u>	<u>(1,546,683)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	5,000,000
Payments for costs of share issue		-	(250,000)
Cash provided by financing activities		<u>-</u>	<u>4,750,000</u>
Net (decrease)/increase in cash held		<u>(1,474,933)</u>	<u>1,562,495</u>
Cash at beginning of period		<u>2,099,849</u>	<u>537,354</u>
Cash at end of period	22	<u>624,916</u>	<u>2,099,849</u>

This 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 2005

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. Where alternative treatments of an item are possible under the above standards, statutes, etc. the treatment most aligned with International Accounting Standards has been selected.

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.

The going concern basis has been adopted in the preparation of the financial report, which contemplates continuity of business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company's ability to continue as a going concern is reliant upon the sale of assets that has been announced or a capital raising. If the sale of assets does not occur, or if additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

b) Exploration expenditure

The Company's policy with respect to exploration expenditure is to write off all costs as incurred. In the previous year, the Company's policy was to carry forward such expenditures. Accordingly, exploration expenditure for the year of \$38,919 and exploration expenditure previously brought forward of \$1,518,030 have now been written off increasing the loss for the year.

The decision to adopt an accounting policy that resulted in the above expenditures being written off does not indicate any change in the Board's view of the intrinsic value of the mining leases held by the Company. Rather, the decision has been taken as it is the most prudent treatment available under current accounting standards for exploration expenditure and because the Directors believe that the change will facilitate the use of this Annual Report in support of future fundraising activities.

c) Research and development expenditure

Research and development costs are expensed as incurred. In the previous year, the Company's policy was to carry forward research and development expenditure and amortise it over its useful life. Accordingly, research and development expenditure for the year of \$67,018 and research and development expenditure brought forward of \$1,300,793 have now been written off increasing the loss for the year.

The decision to adopt an accounting policy that resulted in the research and development expenditures being written off, does not indicate any change in the Board's view of the value of the past research and development undertaken by the Company. Rather, the decision has been taken as it is the most prudent treatment available under current accounting standards for exploration expenditure and because the Directors believe that the change will facilitate the use of this Annual Report in support of future fundraising activities.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

Note 1 Statement of accounting policies (continued)

d) Patenting expenditure

Costs of acquiring patents are expensed as incurred. In the previous year, the Company's policy was to carry forward these expenditures and amortise them over the life of the patents to which they relate. Accordingly, patenting expenditures for the year of \$8,283 and patenting expenditure brought forward of \$607,809 have now been written off increasing the loss for the year.

The decision to adopt an accounting policy that resulted in the patenting expenditure being written off does not indicate any change in the Board's view of the intrinsic value of the patents held by the Company. Rather, the decision has been taken as it is the most prudent treatment available under current accounting standards for exploration expenditure and because the Directors believe that the change will facilitate the use of this Annual Report in support of future fundraising activities.

e) 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.

f) 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, 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 cash flows, 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.

g) Comparative figures

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

h) 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 entitlements arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

Note 1 Statement of accounting policies (continued)

i) 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.

j) 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.

k) 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 net of GST basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are included within 'Payments to Suppliers and Employees' under 'Cash Flows from Operating Activities'.

l) 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 and revenue received from R&D Tax Concessions is recognised upon receipt.

m) Cash

For the purpose of the statement of cash flows, cash includes cash on hand, cash on call, term deposits with banks or financial institutions, investments in money markets instruments with less than 14 days to maturity and is net of bank overdrafts.

n) Impact of Australian Equivalents to International Financial Reporting Standards

The Company is managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 June 2006.

On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated with AIFRS transitional adjustments being made retrospectively against accumulated losses at 1 July 2004. Actions taken by the Company this year have ensured that there will be no material AIFRS transitional adjustments to be brought to account next year.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

Note 1 Statement of accounting policies (continued)

n) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

The directors are of the opinion that there will be no material differences resulting from the conversion of the Company's accounting policies to AIFRS and that the financial effect of any differences will be insignificant. The impact of the alternative treatment and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable. Comments on specific issues are as follows:-

- **Research & Development Expenditure**

Standard AASB 138: Intangible Assets requires that costs associated with research be expensed in the period in which they are incurred. This is in line with the policy adopted this year under current Australian Accounting Standards.

- **Exploration Expenditure**

The policy adopted this year of expensing exploration expenditure as incurred, means that there will be no further write off required next year upon the adoption of AIFRS.

- **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. This change in accounting policy is unlikely to lead to impairments being recognised in respect of the Company's assets.

- **Income Tax**

Currently, the Company 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 AASB 112 the Company 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. However, this change in accounting policy is unlikely to result in a material difference arising in the way income tax is reported.

- **Employee Benefits**

The adoption of AIFRS will cause the calculated value of employee options to be expensed on issue and shown as a reserve. However, the amounts concerned are immaterial relative to the Company's total equity or overall level of expenditure.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 2		
Contributed equity		
Balance at the beginning of the financial period		
447,739,284 fully paid shares (2004: 314,739,284)	31,945,648	26,195,648
Movement for the period:		
47,475,000 fully paid ordinary shares at 4¢ Issued 28/08/2003	-	1,899,000
7,300,000 fully paid ordinary shares at 4¢ Issued 18/09/2003	-	292,000
70,225,000 fully paid ordinary shares at 4¢ Issued 10/10/2003	-	2,809,000
8,000,000 fully paid ordinary shares at 12.5¢ Issued 24/10/2003	-	1,000,000
Balance at the end of the financial period		
447,739,284 fully paid shares (2004: 447,739,284)	31,945,648	32,195,648
Transaction costs relating to share issue	-	(250,000)
	<u>31,945,648</u>	<u>31,945,648</u>

Ordinary shares participate in dividends. On winding up of the Company any proceeds 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.

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 3		
Receivables		
Current		
Sundry debtors	11,862	48,888
	<u>11,862</u>	<u>48,888</u>
Non-current		
Performance bonds	10,518	10,252
	<u>10,518</u>	<u>10,252</u>

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 4 Plant and equipment		
Cause Plant at cost	2,325,255	2,322,255
Accumulated depreciation	(220,448)	(106,290)
	<u>2,104,807</u>	<u>2,215,965</u>
Office furniture and equipment at cost	376,057	377,234
Accumulated depreciation	(317,216)	(294,970)
	<u>58,841</u>	<u>82,264</u>
	<u>2,163,648</u>	<u>2,298,229</u>

Whilst all plant and equipment is categorised as 'non-current' on the Statement of Financial Position, the Company has begun a sale process that may result in approximately fifty percent of the Cause plant detailed above being realised within twelve months of balance date. Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year are as follows:

	Cause Plant \$	Office Furniture & Equipment \$	Total \$
Balance at 30 June 2004	2,215,965	82,264	2,298,229
Additions	-	(1,177)	(1,177)
Depreciation expense	(111,158)	(22,246)	(133,404)
Balance at 30 June 2005	<u>2,104,807</u>	<u>58,841</u>	<u>2,163,648</u>

Average depreciation rate applied 5.0% 26.8%

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 5 Payables (current):		
Trade creditors and accruals - unsecured	<u>55,579</u>	<u>303,844</u>

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 6 Provisions (current):		
Employee entitlements	12,108	27,849
Other	14,878	12,976
	<u>26,986</u>	<u>40,825</u>
(a) Aggregate employee entitlement liability	12,108	27,849
(b) Number of employees at year end	4	6

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 7		
Other (non-current)		
(a) <u>Exploration expenditure</u>		
Cost brought forward	1,518,030	1,484,424
Expenditure capitalised during the year	-	33,606
	<u>1,518,030</u>	<u>1,518,030</u>
Expenditure written-off during the year	(1,518,030)	-
	<u>-</u>	<u>1,518,030</u>
(b) <u>Research and development expenditure</u>		
Cost brought forward	1,355,286	1,066,589
Expenditure capitalised during the year	-	288,697
Accumulated amortisation	(54,493)	(54,493)
	<u>1,300,793</u>	<u>1,300,793</u>
Expenditure written-off during the year	(1,300,793)	-
	<u>-</u>	<u>1,300,793</u>
(c) <u>Patenting expenditure</u>		
Cost brought forward	636,186	597,030
Expenditure capitalised during the year	-	39,156
Accumulated amortisation	(28,377)	(28,377)
	<u>607,809</u>	<u>607,809</u>
Expenditure written-off during the year	(607,809)	-
	<u>-</u>	<u>607,809</u>
	<u>-</u>	<u>3,426,632</u>

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 8		
Revenue		
Operating activities		
Interest received from other corporations	63,755	71,677
Rental income	68,075	7,200
Other income	-	1,610
Proceeds on Sale of plant	-	1,500,000
R&D Start Grant	29,988	303,631
R&D Tax Concession	81,446	105,368
	<u>243,264</u>	<u>1,989,486</u>

Note 9 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 And Forming Part Of The Financial Statements

For the year ended 30 June 2005

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 10 Loss from ordinary activities		
Loss from ordinary activities includes the following expenses:		
Amortisation of research and development expenditure	-	54,493
Amortisation of patenting costs	-	28,377
Depreciation of plant and equipment	133,404	176,660
Research and development expenditure	67,018	-
Exploration expenditure	38,919	-
Patenting expenditure	8,283	-

Note 11 Remuneration of directors and specified executives

Details of the nature and amount of the emoluments of each director and each specified executive are disclosed in the Remuneration Report

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 12 Income tax		
At 30 June 2005, the Company has estimated carry forward tax losses of \$13,672,354 (2004: \$12,500,013 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	(1,443,294)	(558,178)
Non tax-deductible future income tax benefit not brought to account	1,443,294	558,178
	<u>-</u>	<u>-</u>

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

Note 13 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.

Interests in shares and options of the Company, held directly by directors or held through director related entities at 30 June 2005 and at 30 June 2004, were:

2005	Shares		Options
	Direct Interest	Non-Direct Beneficial Interest	
Mr N Fussell	338,334	1,997,667	
Mr A Scott	924,921	-	3,000,000
Mr MH Titley	3,000,000	7,125,000	
Dr DR Teplitzky	-	-	1,000,000
Mr RPB Harris (Retired 30/11/2004)	439,667	-	
	<u>4,702,922</u>	<u>9,122,667</u>	<u>4,000,000</u>

2004	Shares		Options
	Direct Interest	Non-Direct Beneficial Interest	
Mr N Fussell	338,334	1,997,667	2,000,000
Mr A Scott	924,921	-	3,000,000
Mr MH Titley	3,000,000	7,125,000	2,000,000
Dr DR Teplitzky	-	-	1,000,000
Mr RPB Harris	439,667	-	2,000,000
	<u>4,702,922</u>	<u>9,122,667</u>	<u>10,000,000</u>

30/06/2005	30/06/2004
\$	\$

Note 14 Auditors remuneration

Remuneration of the auditor of the Company for:

- Auditing or reviewing the Financial Report	13,300	11,590
- Other services	-	17,450
	<u>13,300</u>	<u>29,040</u>

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 15 Earnings per share		
Basic earnings per share (loss) cents per share	(1.07)	(0.45)
Diluted earnings per share (loss) cents per share	(1.07)	(0.44)
Weighted number of ordinary shares on issue for the year	447,739,284	416,662,640
Weighted number of share options expressed as ordinary shares for the year	-	2,755,102
Adjusted weighted average number of ordinary shares on issue for the financial year	<u>447,739,284</u>	<u>419,417,742</u>

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

Note 16 Commitments of expenditure

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 Industry and Resources expenditure requirements.

Project	Tenement	Renewal Date	Area (Km ²)	Annual Expenditure commitment	Interest
Ant Hill	ML 46/238	02/11/05	8.0	\$80,100	100%
Sunday Hills	ML 46/237	02/11/05	7.3	\$73,000	100%
Port Hedland	G 45/265	05/06/06	0.5	-	100%

All expenditure commitments due at 30 June 2005 have been met, exempted or an exemption is pending.

A property lease exists for the rental of 1st Floor, 1 Walker Avenue West Perth. The lease expires on 30 June 2006 and an option exists to renew the lease for an additional 18 months. Monthly rent is payable in advance.

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Operating lease commitments		
- Payable not later than 1 year	<u>57,900</u>	<u>31,300</u>

A Bank Guarantee facility for \$10,000 exists in respect of mining lease obligations.

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

Note 17 Segment reporting

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

Note 18 Investment

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.

	30/06/2005	30/06/2004
	\$	\$
Investment in controlled entity at cost	1	1

Note 19 Financial instruments

a) Interest rate risk

The Company's exposure to 'interest rate risk', which is the risk that a financial instrument's 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
2005				
Financial assets & liabilities				
Cash	111,384	513,332	200	624,916
Receivables - current	-	-	11,862	11,862
- non-current	10,518	-	-	10,518
Payables	-	-	(55,759)	(55,759)
	121,902	513,332	(43,697)	591,537
Weighted average interest rate	2.35%	5.29%		
	Floating interest rate	Fixed interest rate maturing within 1 year	Non-interest bearing	Total
2004				
Financial assets & liabilities				
Cash	99,649	2,000,000	200	2,099,849
Receivables - current	-	-	48,888	48,888
- non-current	10,252	-	-	10,252
Payables	-	-	(303,844)	(303,844)
	109,901	2,000,000	(254,706)	1,855,145
Weighted average interest rate	1.45%	5.10%		

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

Note 19 Financial instruments (cont)

b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount of financial assets (cash and receivables) 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 approximates their carrying values, as disclosed in the Statement of Financial Position.

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:

- (a) the operation of the economic entity;
- (b) the result of those operations; and
- (c) the state of affairs of the economic entity in the financial year subsequent to 30 June 2005.

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 21 Accumulated losses		
Accumulated losses brought forward	(24,406,466)	(22,545,874)
Loss from ordinary activities after income tax	(4,810,982)	(1,860,592)
Accumulated losses carried forward	<u>(29,217,448)</u>	<u>(24,406,466)</u>

Note 22 Cash Assets

Cash at bank	111,384	99,649
Deposits at call	513,332	2,000,000
Petty Cash	200	200
Accumulated losses carried forward	<u>624,916</u>	<u>2,099,849</u>

Notes To And Forming Part Of The Financial Statements

For the year ended 30 June 2005

	<u>30/06/2005</u>	<u>30/06/2004</u>
	\$	\$
Note 23 Reconciliation of net cash used in operating activities with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(4,810,982)	(1,860,592)
<u>Items classified as investing/financing activities</u>		
Gain on disposal of assets	-	(201,346)
<u>Non-cash items</u>		
Write-off of research and development expenditure	1,300,793	-
Write-off of exploration expenditure	1,518,030	-
Write-off of patenting costs	607,809	
Depreciation	133,404	176,660
Amortisation expense	-	82,870
<u>Changes in assets and liabilities</u>		
(Increase)/decrease in sundry debtors and prepayments	36,760	(35,041)
Increase/(decrease) in trade creditors and accruals	(248,085)	193,182
Increase/(decrease) in provisions	(13,839)	3,445
Cash used in operating activities	<u>(1,476,110)</u>	<u>(1,640,822)</u>

Additional Information

Additional information as at 3 October 2005, required by the Listing Rules of the Australian Stock Exchange Limited:

1. DISTRIBUTION OF SHAREHOLDERS

		No of Shareholders
1	- 1,000	96
1,001	- 5,000	372
5,001	- 10,000	504
10,001	- 100,000	2,203
100,001	over	892
		<hr/> 4,067 <hr/>

2. MARKETABLE PARCEL

A marketable parcel is a holding with a value of at least \$500 at the prevailing share price as at 3 October 2005. There are at this date 1,815 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 3 October 2005	Holding	Percent
Perpetual Custodians Limited	14,612,932	3.263
ABN AMRO Australia Limited	8,000,000	1.786
Marcus Hugh Titley & Janet Mary Titley	7,125,000	1.591
Pabu Pty Ltd <The Jade Unit A/C>	5,130,934	1.145
National Nominees Limited	4,988,101	1.114
Warren Brown & Associates Pty Ltd <Warren Brown Super Fund A/C>	4,261,172	0.951
Perpetual Trustees Consolidated Limited <Van de Velde A/c>	3,437,000	0.767
Kuyan Pty Ltd	3,125,000	0.697
Mr Marcus Hugh Titley	3,000,000	0.670
Van de Velde Consulting Group Pty Ltd <Van de Velde Super Fund A/C>	2,824,617	0.630
Kizogo Pty Limited	2,805,827	0.626
Mr Marcus Edward Jocelyn Loane	2,656,334	0.593
Dr Allan Paul Andersen <The Andersen Family Account>	2,549,234	0.569
Presentation Congregation Queensland	2,500,000	0.558
Mr Kenneth George Parnell & Mrs Lynette Ann Parnell	2,500,000	0.558
Mr Thomas Francis O'Brien <T F O'Brien Family A/C>	2,375,000	0.530
Mr Jan de Groot & Mrs Esme Rosetta de Groot	2,225,001	0.496
Oldstock Investments Pty Ltd <Oldstock Retirement A/C>	2,191,334	0.489
Pabu Pty Ltd <Pabu Pty Ltd S/F A/C>	2,125,000	0.474
Powerplay Sports Management Pty Ltd	2,088,600	0.466

The Percentage of the total holding held by the twenty largest holders of ordinary shares was 17.973% (2004: 15.7%)