



HiTec Energy Limited

2006 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, 30 Richardson Street
West Perth WA 6005

Telephone: +61 8 9321 6033
Facsimile: +61 8 9321 6001

Postal Address

PO Box 1597
West Perth WA 6872

Auditors

Grant Thornton
Western Australian Partnership
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
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Stock Exchange Listing

Australian Stock
ASX Code: HTE

Contents

	Page
Chairman's Report	2
Review of Operations	3
Directors' Report	4
Remuneration Report	8
Corporate Governance Statement	10
Directors' Declaration	12
Independent Audit Report	13
Auditor's Independence Declaration	15
Financial Statements	16
Income Statement	16
Balance Sheet	17
Statement of Changes in Equity	18
Cash Flow Statement	19
Notes to Financial Statements	20
Additional Information	Back cover

Chairman's Report

After another frustrating year, our efforts to acquire, develop or joint venture in an EMD production facility based on HiTec's patented hydrometallurgical process are finally on track. Your directors are now confident that discussions currently underway will lead to the production scale usage of our process in the near term and that this will in turn lead to wide industry acceptance.

We are also confident that successful commercialisation of the process will bring about a dramatic change for the better in the Company's fortunes and thereby in shareholder value achieved. Over the last two years steel industry demand for manganese ores, and particularly high grade manganese oxide ores, has expanded to the point where other smaller users, such as the electrolytic manganese dioxide and electrolytic manganese metal producers, have been forced to look for ways to utilise low grade manganese ores that are unsuitable for use in the steel industry.

HiTec's management team worked unstintingly to achieve a breakthrough and must be commended for their continued application to the task at hand. Not the least because, as a direct result of their efforts over this last year, HiTec now has before it a number of projects that are additional and complementary to our main project focus at this point in time.

Much work remains to be done in the current financial year to convert the discussions under way into an agreement which can be laid before shareholders. An early conclusion to this work is being pursued in earnest, but as always the reality is that we can only move as fast as a counterparty's requirements dictate. However, while HiTec lacks the size and resources necessary to be the pace-setter in negotiations, the current demand for its services provides good reason for our confidence that mutually satisfactory agreement can be reached within a reasonable time period.

The Board looks forward to an eventful 2006/2007 financial year in which HiTec, with the strong support of its shareholders will see the first production facility built incorporating our sulphur dioxide leach technology. Furthermore, that this giant step forward will set in place the building blocks for a world class EMD business that will reward the patience shown by our shareholders.

Nothing we have observed over the last twelve months has changed our view that our long term focus on creating high value manganese products from low grade ores and wastes is the right focus at this phase of the commodity boom and at this point in the demand curve for clean, energy efficient, production processes.



NORMAN FUSSELL, Chairman

Review of Operations

As the year began, our efforts were focused firmly on winding up the Kalgoorlie project and pursuing in its stead the acquisition and conversion of an existing electrolytic manganese dioxide (EMD) plant in the United States. Whilst the aborted Kalgoorlie exercise was a great disappointment for management and shareholders alike, in that it did not lead to the successful commercialisation of our patented processes, it was not a financial failure. In fact, the plant was sold for \$1.75 million more cash than had been outlaid on its acquisition and this has meant that HiTec now has adequate funding to pursue alternative routes forward.

The first of these alternatives, the acquisition of the abovementioned US plant, remains a very viable option although it has slipped in ranking relative to HiTec's other options. We still continue to monitor this option and to finesse our plans for it as it is a project that would be very compatible with the alternative strategies we are now pursuing.

HiTec has experienced markedly increased interest over the last year in its patented processes and this interest has translated into active discussions with parties in India, China and Georgia. Whilst, these discussions were initiated by the third party's need to find added value uses for their low grade ore resources, in each case the realisation that HiTec's processes can provide the basis low cost, environmentally sound production facilities has ensured that discussions have progressed. Discussions are continuing on all fronts with the objective of locking in an arrangement that will demonstrate our patented processes at production scale in the earliest possible timeframe. More specific announcements will be made as and when agreements have been struck.

Looking outwards, the market context for an aspiring producer of high quality EMD could not be better. After a period where many alkaline battery producers turned their focus strongly on to the cost of their production inputs, rather than the relative value they offered, in the erroneous belief that battery end users would not notice the resultant decline in battery performance, we now observe a strong reversal in this trend. We also believe that the demand for high quality EMD will increase sharply over coming years as a result of developments over the last twelve months in the hybrid car battery market and in some primary and secondary battery categories.

Simultaneous with these promising developments in the product market, the last year has seen positive changes in the production picture. In essence, the very few remaining non-Chinese producers of high quality EMD have been reduced by a further plant closure in Japan with only China bringing on any significant new production. These new Chinese plants all rely on low grade local ores that bring with them inherent quality restraints that, using conventional EMD production processes, can only be overcome by the investment of capital. They will also be under increasing pressure to improve quality and environmental factors and are therefore seen a potential users of HiTec's processes if they are to survive.



ALAN SCOTT (Managing Director)

Directors' Report

For the year ended 30 June 2006

DIRECTORS' INFORMATION

Names and Particulars

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

N Coldham-Fussell	Company Director, 46 years experience, AO, FCPA, FAusIMM, FCIS, FAIM, FAICD	Chairman
A Scott	Company Director, 40 years experience.	MD & CEO
MH Titley	Company Director, 42 years experience.	Non-Executive Director
DR Teplitzky	Company Director, 44 years experience.	Non-Executive Director

Directors' Meetings

The board meetings that directors were eligible to attend during the year ended 30 June 2006 and the number of board meetings actually attended by each director were:

	<u>Number attended</u>	<u>Number eligible to attend</u>
N Coldham-Fussell	9	9
A Scott	9	9
MH Titley	7	9
DR Teplitzky	9	9

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.

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 Limited on 22 August 2005. Prior to that, he was Managing Director and Chief Executive Officer of Aurora Gold Limited 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.

Directors' Report (continued)

Marcus Hugh Titley

Mr Titley had 36 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 commercialisation of its mineral processing technologies through the development of an electrolytic manganese dioxide (EMD) project or through licencing to third parties. Whilst over the reporting period there has been a change in tactics as regards how best to achieve profitable commercialisation, there has been no change in the principal activity or strategic direction that underpins the tactics.

FINANCIAL RESULTS

The loss from ordinary activities after income tax for the year ended 30 June 2006 was \$465,403 (2005 loss: \$4,810,982).

DIVIDENDS

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

REVIEW OF OPERATIONS & FUTURE DEVELOPMENTS

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

Directors' Report (continued)

ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. Note 2 to the financial statements details the adjustments arising on the transition to AIFRS.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material or unusual nature, which is likely in the opinion of the Directors, to affect substantially the operation of the company, the result of those operations and the state of affairs of the company in the financial year subsequent to 30 June 2006.

SHARE OPTIONS

No options were exercised during the financial year and at the date of this report 22,550,000 unlisted options over shares in the company, remained outstanding:

- (i) 4,000,000 unlisted options issued pursuant to the Employee Option Incentive Scheme (EOIS):

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

(During the year, 1,150,000 options at an exercise price of 13.5¢ expired.)

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

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

DIRECTORS AND OFFICERS INSURANCE

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

Directors' Report (continued)

PROCEEDINGS ON BEHALF OF COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is included in this Annual Report at page 16.

NON-AUDIT SERVICES

The external auditor performed one non-audit service during the year ended 30 June 2006 which was related to the company's first time adoption of AIFRS. The amount paid for this service was \$4,000, exclusive of GST.

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.

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



ALAN SCOTT
Managing Director
27 September 2006

Remuneration Report

For the year ended 30 June 2006

This report forms part of the Directors' Report and details the nature and amount of the remuneration of directors. The directors alone are responsible for the governance of the company and hence there are no 'key management persons' or 'specified executives' remuneration detailed in this report.

REMUNERATION POLICY

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

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

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

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

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

REMUNERATION LINK TO COMPANY PERFORMANCE

The performance of directors and executives is measured, against criteria agreed with each employee with the objective of promoting growth of shareholder value. The market capitalisation of the company has declined by approximately 40% over the five years to the date of this report, during which time no dividends have been paid or capital returned, as the company has struggled to commercialise its technology and, in the process, has continued to make operating losses. Not surprisingly, the company's share price has also been adversely affected by these events. The directors have considered this decline in market capitalisation and, while the causes were considered to be outside their control, have nevertheless held directors' remuneration constant at 2002 levels.

COMPANY OFFICER EMOLUMENTS AND EMPLOYMENT CONTRACTS

There were no options issued during the year or thereafter to any officer of the company. No officer, whether employee or contractor, has a performance based element to his or her remuneration package. No employment contract exceeds 12 months.

Remuneration Report (continued)

DIRECTORS' EMOLUMENTS AND EMPLOYMENT CONTRACTS

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

2006	Salaries & Fees	Superannuation	Options	Total
	\$	\$	\$	\$
N Fussell	45,500	4,500	-	50,000
A Scott	263,233	11,767	-	275,000
MH Titley	22,940	2,060	-	25,000
DR Teplitzky	22,940	2,060	-	25,000
	354,613	20,387	-	375,000

2005	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

The remuneration structure for directors seeks to emphasise payment for results through providing reward schemes such as the EOIS. Presently, Mr Scott holds current options in the amount of 1,500,000 with expiry date of 20/5/2007, and 1,500,000 with expiry date of 24/11/2008. From time to time, non-executive directors have also participated in the EOIS 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. All options issued under the EOIS vest immediately, have a five year term and have an exercise price equal to 125% of the average of the closing price for the five days prior to issue.

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

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

Corporate Governance Statement

For the year ended 30 June 2006

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 July 2005 to 30 June 2006. 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 & FUNCTION OF THE BOARD

The directors of the company in office at the date of this statement are:

Name	Age	Position	Special Expertise
Norman Coldham-Fussell	68	Chairman	Resource Industry
Alan Scott	57	MD & CEO	Resource Industry
Marcus Hugh Titley	64	Non-Executive Director	Stockbroking
David Raymond Teplitzky	75	Non-Executive Director	Consultancy

The CEO has the responsibility for guiding management in carrying out effectively 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 the 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. In future, a different board structure may be appropriate to include directors with appropriate experience.

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

A director or employee may only purchase, transfer, or otherwise deal in securities of the company during a thirty 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;

Corporate Governance Statement (continued)

- (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 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 activities 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;
- nominating 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 other board members and they jointly make decisions on the timely release of factual and balanced information concerning the company's activities.

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.

Information on remuneration, as required by the Corporations Act 2001, can be found in the Remuneration Report which forms part of this Annual Report.

Director's Declaration

The directors of the company declare that:

- 1) the financial statements and notes, as set out on pages 16 to 28 and the Remuneration Report set out on pages 9 and 10, are:
 - a) in accordance with the Corporations Act 2001;
 - b) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position of the company as at 30 June 2006 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



ALAN SCOTT
Managing Director
27 September 2006

INDEPENDENT AUDIT REPORT TO MEMBERS OF HITEC ENERGY LTD

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for HiTec Energy Ltd (the Company) for the year ended 30 June 2006.

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, 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.

Level 6
256 St Georges Terrace
Perth 6000 Australia
GPO Box P1213
Perth WA 6844
T + 61 8 9481 1448
F + 61 8 9481 0152
E gtperth@gtwa.com.au
W www.grantthornton.com.au

INDEPENDENT AUDIT REPORT TO MEMBERS OF HITEC ENERGY LTD (cont)

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 and ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

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 2006 and of their 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 WESTERN AUSTRALIAN PARTNERSHIP



SEAN MCGURK
Partner

Perth, WA

Dated this 27th day of September 2006

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

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 2006, 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.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP



SEAN MCGURK
Partner

Dated 27 September 2006

Level 6
256 St Georges Terrace
Perth 6000 Australia
GPO Box P1213
Perth WA 6844

T + 61 8 9481 1448
F + 61 8 9481 0152
E gtperth@gtwa.com.au
W www.grantthornton.com.au

Income Statement

For the year ended 30 June 2006

		2006	2005
	Note	\$	\$
Income			
Interest		44,999	63,755
Profit on sale of plant & equipment	4	683,947	-
Rent		53,075	68,075
Sundry income		10,752	-
		<u>792,773</u>	<u>131,830</u>
Expenditure			
Administration		326,580	449,475
Business Development		195,026	223,448
Depreciation	4	53,304	133,404
Employee benefits		665,491	707,066
Exploration		27,438	38,919
Loss on sale of furniture & equipment		26,442	-
Patenting		11,226	8,284
Research & development		17,033	67,018
Write-off of intangible assets			
Research & development		-	1,300,793
Exploration		-	1,518,030
Patents		-	607,809
		<u>1,322,540</u>	<u>5,054,246</u>
Loss before income tax		529,767	4,922,416
Income tax credit: current	11	64,364	111,434
		<u>465,403</u>	<u>4,810,982</u>
Loss for the year			
Basic loss per share (cents per share)	12	0.10	1.07
Diluted loss per share (cents per share)	12	0.10	1.07

This income statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2006

	Note	<u>2006</u>	<u>2005</u>
		\$	\$
Current assets			
Cash and cash equivalents	6	2,522,557	624,916
Receivables	5	14,500	11,862
Prepayments		15,081	-
		<u>2,552,138</u>	<u>636,778</u>
Non-current assets			
Receivables	5	38,526	10,518
Plant & equipment	4	32,880	2,163,648
Investment	7	1	1
		<u>71,407</u>	<u>2,174,167</u>
Total assets		<u>2,623,545</u>	<u>2,810,945</u>
Current liabilities			
Creditors & accruals		307,850	70,636
Provision for employee benefits		28,848	12,108
		<u>336,698</u>	<u>82,744</u>
Non-current liabilities			
Provision for employee benefits		24,049	-
Total liabilities		<u>360,747</u>	<u>82,744</u>
Net assets		<u>2,262,798</u>	<u>2,728,201</u>
Shareholders funds			
Contributed equity	3	31,945,649	31,945,649
Reserves	2	59,000	59,000
Accumulated losses		<u>(29,741,851)</u>	<u>(29,276,448)</u>
Net equity		<u>2,262,798</u>	<u>2,728,201</u>

This balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2006

	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2004	31,945,649	(24,465,466)	59,000	7,539,183
Loss attributable to members of the company	-	(4,810,982)	-	(4,810,982)
Balance at 30 June 2005	31,945,649	(29,276,448)	59,000	2,728,201
Balance at 1 July 2005	31,945,649	(29,276,448)	59,000	2,728,201
Loss attributable to members of the company	-	(465,403)	-	(465,403)
Balance at 30 June 2006	31,945,649	(29,741,851)	59,000	2,262,798

This statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2006

		2006	2005
	Note	\$	\$
Net cash used in operations			
Payments to suppliers and employees		999,766	1,719,374
Interest received		(44,999)	(63,755)
Rentals received		(53,075)	(68,075)
Research & development grants received		(64,364)	(111,434)
	19	<u>837,328</u>	<u>1,476,110</u>
Net cash from investing activities			
Proceeds from sale of plant & equipment		2,756,000	1,177
Purchase of plant & equipment		(21,031)	-
		<u>2,734,969</u>	<u>1,177</u>
Net increase/(decrease) in cash held		1,897,641	(1,474,933)
Cash at beginning of year		<u>624,916</u>	<u>2,099,849</u>
Cash at end of year	6	<u>2,522,557</u>	<u>624,916</u>

This cash flow statement should be read in conjunction with the accompanying notes.

Notes to Financial Statements

For the year ended 30 June 2006

Note 1 Statement of significant accounting policies

These are the financial statements of HiTec Energy Limited, a listed public company incorporated and domiciled in Australia, as an individual entity. They are the first financial statements to be prepared in accordance with AIFRS and are general purpose financial statements that have been prepared in accordance with Accounting Standards, the Corporations Act 2001, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. They comply with Australian Accounting Standards, which include AIFRS, in their entirety and thus also comply with IFRS in their entirety. In accordance with the requirements of AASB 1: First-time Adoption of Australian equivalents to International Reporting Standards, adjustments resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures. A summary of the changes which resulted from the transition from Australian Generally Accepted Accounting Principles to AIFRS is provided in Note 2.

In order to assist in the understanding of the accounts, the following sub-notes explain the basis for preparation and the material accounting policies that have been adopted and consistently applied, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified by revaluations where appropriate, and for which the fair value basis of accounting has been applied.

b) Comparative figures

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

c) Exploration expenditure

The company's policy with respect to exploration expenditure is to write off all costs as incurred. Accordingly, exploration expenditure of \$27,438 has been written off during the year. The decision to write off exploration expenditure as incurred 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 was taken, as it is the most prudent treatment available under current accounting standards for such expenditure.

d) Research & development expenditure

The company's policy with respect to research & development expenditure is to write off all costs as incurred. Accordingly, research & development expenditure of \$17,033 has been written off during the year. The decision to write off research & development expenditure as incurred does not indicate any change in the board's view of the intrinsic value of the research & development undertaken by the company. Rather, the decision was taken, as it is the most prudent treatment available under current accounting standards for such expenditure.

e) Patenting expenditure

The company's policy with respect to patenting expenditure is to write off all costs as incurred. Accordingly, patenting expenditure of \$11,226 has been written off during the year. The decision to write off patenting expenditure as incurred does not indicate any change in the board's view of the intrinsic value of the patents held by the company. Rather, the decision was taken, as it is the most prudent treatment available under current accounting standards for such expenditure.

Notes to Financial Statements (continued)

For the year ended 30 June 2006

f) Income taxation

The company adopts the balance sheet liability method of tax effect accounting whereby the income tax expense is based on the operating result from ordinary activities adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted, or are substantially enacted, by the balance date. 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 deferred tax asset or a deferred tax liability at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. Research and development tax concessions received are included as current tax credits in the year of receipt rather than as revenue, as has been the previous practice. The directors consider it prudent not to recognise the potential future income tax benefits that may arise from tax losses carried forward as an asset unless that future benefit, or part thereof, can be regarded as being virtually certain of realisation.

g) Plant & equipment

Plant & equipment is measured on the cost basis, less where applicable, accumulated depreciation and impairment loss. 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. Any expected net cash flows are discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

h) Depreciation

Fixed assets are depreciated over their useful lives commencing from the time that the assets are held ready for use. The rates used for each class of depreciable asset are:

Cause plant & equipment	5% (straight line basis)
Office furnishings	20% (reducing balance basis)
Mechanical equipment	20% (reducing balance basis)
Electronic equipment	40% (reducing balance basis)

i) Employee benefits

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

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) Revenue

All revenue items are included in the Income Statement on an accruals basis.

Notes to Financial Statements (continued)

For the year ended 30 June 2006

l) Goods and services tax (GST)

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

m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

n) Financial instruments

Receivables, creditors and accruals are initially measured at cost then subsequently adjusted to the recoverable amount, in the case of receivables, or the payable amount, in the case of creditors and accruals, where the recoverable amount or payable amount are deemed to be lower or higher respectively than cost. Any realised or unrealised gain or loss arising as a result of restating a financial instrument is included in the Income Statement in the period in which it arises. The company has had no other dealings in financial instruments that would require additional accounting policy disclosure.

Note 2 First time adoption of AIFRS

The first time adoption of AIFRS has resulted in the creation of an option reserve in the amount of \$59,000 to reflect the deemed value of share options granted to directors at the date of granting utilising the Black-Scholes methodology. The creation of the reserve has had the effect of increasing accumulated losses at 30 June 2005 and 2006 by \$59,000. There are no other impacts from the first time adoption of AIFRS.

Note 3 Contributed equity

At the beginning and end of the financial years ending 30 June 2005 and 30 June 2006 the company had contributed equity of \$31,945,649 raised from the issue of 447,739,284 fully paid shares. Ordinary shares participate in dividends and the proceeds on winding up of the company 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.

Note 4 Plant & equipment

	2006	2005
	\$	\$
Cause plant - at cost	-	2,325,255
Accumulated depreciation	-	(220,448)
	-	2,104,807
Office furniture & equipment - at cost	190,572	376,057
Accumulated depreciation	(157,692)	(317,216)
	32,880	58,841
	32,880	2,163,648

The remaining Cause plant was sold during the year for \$2,750,000 realising a profit on sale of \$683 947. Certain office furniture fixtures were also sold for \$6,000, as a result of a move of office premises during the year, realising a loss on sale of \$26,442.

Notes to Financial Statements (continued)

For the year ended 30 June 2006

	Cawse Plant \$	Office Furniture & Equipment \$	Total \$
Balance at 30 June 2005	2,104,807	58,841	2,163,648
Additions	-	21,031	21,031
Disposals	(2,066,053)	(32,442)	(2,098,495)
Depreciation expense	(38,754)	(14,550)	(53,304)
Balance at 30 June 2006	-	32,880	32,880

	2006 \$	2005 \$
Note 5 Receivables		
Current: Other receivables	14,500	11,862
Non-current: Performance bonds	38,526	10,518
	53,026	22,380

Note 6 Cash and cash equivalents

Cash at bank and in hand	119,903	111,584
Short term deposits	2,402,654	513,332
	2,522,557	624,916

Note 7 Investment

Investment in controlled entity at cost	1	1
---	---	---

The company's wholly owned dormant subsidiary, SRDC NL, has not been consolidated in these financial statements on the basis of its immateriality.

Note 8 Auditor's remuneration

Remuneration of the auditor for:		
Auditing - y/e 30 June 2006	16,295	-
- y/e 30 June 2005	13,550	6,000
- y/e 30 June 2004		7,300
Other services	4,000	10,058
	33,845	23,358

Notes to Financial Statements (continued)

For the year ended 30 June 2006

Note 9 Key management personnel compensation

Details of the nature and amount of the emoluments of each of the directors as required by the Corporations Act 2001 are disclosed in the Remuneration Report which forms part of this Annual Report. For this company, the remuneration related disclosures required by AASB124 are identical to those required by the Corporations Act 2001, as there are no key management personnel other than the directors. However, the same information is repeated here to meet the disclosure requirements of AASB124.

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

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 (EOIS). The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Executive directors and executives allocate superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors is valued at the cost to the company and expensed.

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

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

2006	Salaries & Fees	Superannuation	Options	Total
	\$	\$	\$	\$
N Fussell	45,500	4,500	-	50,000
A Scott	263,233	11,767	-	275,000
MH Titley	22,940	2,060	-	25,000
DR Teplitzky	22,940	2,060	-	25,000
	354,613	20,387	-	375,000
2005	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

Notes to Financial Statements (continued)

For the year ended 30 June 2006

The remuneration structure for directors seeks to emphasise payment for results through providing reward schemes such as the EOIS. Presently, Mr Scott holds current options in the amount of 1,500,000 with expiry date of 20/5/2007, and 1,500,000 with expiry date of 24/11/2008. From time to time, non-executive directors have also participated in the EOIS and Dr Teplitzky currently holds 1,000,000 options exercisable at 76¢, which expire on 14/11/2007. Options previously held by Messrs. Fussell, Titley and Harris have all expired. All options issued under the EOIS vest immediately, have a five year term and have an exercise price equal to the average of the closing price for the five days prior to issue.

The employment conditions of the sole executive director, Mr Alan Scott, were formalised in a letter of employment dated 20 May 2002. The company may terminate his employment, for reasons other than serious and wilful misconduct, by giving at least six months notice in writing or by the payment in lieu of notice of an amount equal to six months remuneration, each increasing by one month for every completed year of service. The contracts for service between the company and each director are on a continuing basis, the terms of which are not expected to change in the immediate future.

Note 10 Share based payments

During the year there have been no share based payments under the company's employee share scheme nor any exercise or forfeiture of previously issued options. However, 1,150,000 options previously issued to employees at an exercise price of 13.5¢ expired. At 30 June 2006, there were 4,000,000 options outstanding and exercisable under the employee share scheme each having an exercise price of 7.6 cents. (2005: 4,000,000 at 7.6 cents and 1,150,000 at 13.5 cents). The weighted average remaining contractual life of the options outstanding and exercisable is 26 months (2005: 38 months). Where an option holder ceases to be employed before the option held expires, or is exercised, the company may choose to extinguish the option at the date employment ceased. All future option issues under the scheme require approval by shareholders.

The impact of first time adoption of AIFRS in accounting for these options is set out in note 2 to these financial statements. The fair value, or calculated impact, at 30 June 2005 of the abovementioned outstanding options, was derived using Black-Sholes methodology from their exercise price of 7.6 cents, their average remaining contractual life of 38 months, the company share price average in the week prior to issue of 6.1 cents and estimates for expected share price volatility plus risk free rate of 38% and 5% respectively.

Note 11 Income tax

At 30 June 2006, the company has estimated carry forward tax losses of \$14,222,032 (2005: \$13,672,354 as returned) available to offset against future taxable income. The benefits of these losses will only be obtained if the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised, the company continues to comply with the conditions of deductibility imposed by tax legislation and no changes in tax legislation adversely affect the company in realising the benefit from deductions for the losses.

A prima facie income tax benefit of 158,950 (2005: 1,476,725), calculated at 30% (2005: 30%) of the operating loss for the year has not been brought to account in either year.

As disclosed in note 1(f), the current income tax credit in each financial year results from treating research and development tax concessions actually received in cash, as current tax credits, despite the fact that the company did not pay any income tax in respect to 2005 and 2006 financial years.

Notes to Financial Statements (continued)

For the year ended 30 June 2006

Note 12 Earnings per share	2006	2005
	\$	\$
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	447,739,284	447,739,284
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted loss per share	<u>447,739,284</u>	<u>447,739,284</u>

Options outstanding have been classified as potential ordinary shares, and thus included in the determination of diluted earnings per share, where their exercise price is lower than the year-end share price. 'Earnings' used in calculating basic and diluted loss per share is the loss for the year of \$465,403 (2005: \$ 4,810,982).

Note 13 Segment reporting

The company operates in one business segment, namely the commercialisation of mineral processing technologies wherever those technologies may have application. Whilst the company's principal and registered office, and its mining leases, are maintained in Australia, its business focus is worldwide, with a representative office maintained in China and patent assets currently held in Australia, China, United States, South Africa and India.

Note 14 Related parties

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

Note 15 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.

Note 16 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 company, to affect substantially:

- (a) the operation of the company;
- (b) the result of those operations; and
- (c) the state of affairs of the company in the financial year subsequent to 30 June 2006.

Notes to Financial Statements (continued)

For the year ended 30 June 2006

Note 17 Lease commitments

The company has obligations to perform exploration expenditure work on mining tenements in accordance with the Department of Industry and Resources expenditure requirements. All expenditure commitments due at 30 June 2006 have been met, exempted or the shortfall in expenditure may lead to a fine of less than \$5,000. A Bank Guarantee facility for \$10,000 exists in respect of mining lease obligations.

Project	Tenement	Renewal Date	Area (Km ²)	Annual Expenditure commitment	Interest
Ant Hill	ML 46/238	05/11/06	8.0	\$80,100	100%
Sunday Hills	ML 46/237	05/11/06	7.3	\$73,000	100%
Port Hedland	G 45/265	05/06/07	0.5	-	100%

An office rental lease exists, which expires on 28 February 2009, but has an option exists to renew for an additional 3 years. Monthly rent is payable in advance. A Bank Guarantee facility for \$27,083, backed by a term deposit of equal amount exists in respect of the tenancy obligation. Annual commitments under the lease amount to \$31,117 (2005: \$57,900) for rent and \$6,000 (2005: \$12,300) for parking. The terms of the lease include an annual rental adjustment to the greater of Market Value or the rent for the preceding year increased by 5%, with parking rental to be the greater of Market Value or the rental paid in the preceding year. Minimum amounts payable under the lease, or its precedent lease, within 12 months are \$37,117 (2005: \$63,900), between 12 months and 5 years \$61,862 (2005: \$nil) and greater than 5 years \$nil (2005: \$nil).

Note 18 Financial risks

The net fair values of financial assets and financial liabilities approximate their carrying values, as disclosed in the balance sheet. The maximum exposure to credit risk at balance date is the carrying amount of financial assets (i.e., cash and receivables) as disclosed in balance sheet and notes to the financial statements. 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
2006				
Financial assets & liabilities				
Cash and cash equivalents	118,929	2,402,654	974	2,522,557
Receivables - current	-	-	14,500	14,500
- non-current	11,090	27,436	-	38,526
Creditors & accruals	-	-	(307,850)	(307,850)
	130,019	2,430,090	(292,376)	2,267,733
Weighted average interest rate	2.88%	5.21%		

Notes to Financial Statements (continued)

For the year ended 30 June 2006

	Floating interest rate	Fixed interest rate maturing within 1 year	Non-interest bearing	Total
2005				
Financial assets & liabilities				
Cash and cash equivalents	111,384	513,332	200	624,916
Receivables - current	-	-	11,862	11,862
- non-current	10,518	-	-	10,518
Creditors & accruals	-	-	(70,636)	(70,636)
	121,902	513,332	(58,574)	576,660
Weighted average interest rate	2.35%	5.29%		

	2006	2005
	\$	\$
Note 19 Reconciliation of net cash used in operating activities with loss after income tax		
Loss after income tax	465,403	4,810,982
<u>Items classified as investing/financing activities</u>		
Net gain on disposal of assets	657,505	-
<u>Non-cash items</u>		
Write-off of research & development expenditure	-	(1,300,793)
Write-off of exploration expenditure	-	(1,518,030)
Write-off of patenting costs	-	(607,809)
Depreciation	(53,304)	(133,404)
<u>Changes in assets and liabilities</u>		
Increase/(decrease) in receivables and prepayments	45,727	(36,760)
(Increase)/decrease in creditors and accruals	(237,214)	248,085
(Increase)/decrease in provisions	(40,789)	13,839
Net cash used in operations	837,328	1,476,110

Note 20 Effect of changes in accounting policy

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

Additional Information

Additional information as at 29 September 2006, required by the Listing Rules of the Australian Stock Exchange Limited:

1. DISTRIBUTION OF SHAREHOLDERS

		No of Shareholders
1	- 1,000	99
1,001	- 5,000	375
5,001	- 10,000	481
10,001	- 100,000	2,079
100,001	over	843
		<u>3,877</u>

2. MARKETABLE PARCEL

A marketable parcel is a holding with a value of at least \$500 at the prevailing share price as at 29 September 2006. There are at this date 1,442 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 29 September 2006	Holding	Percent
Perpetual Custodians Limited	13,742,932	3.069
Marcus Hugh Titley & Janet Mary Titley	7,125,000	1.591
Mr Kenneth Buck	6,061,000	1.353
Pabu Pty Ltd <The Jade Unit A/C>	5,130,934	1.145
ANZ Nominees Limited <Cash Income A/C>	5,112,436	1.141
National Nominees Limited	4,719,009	1.053
Waros Pty Ltd <Warren Brown Super Fund A/C>	4,261,172	0.951
Mr Warren Thomas Brown & Mrs Roslyn Una Brown A/C	4,200,000	0.938
Van de Velde Consulting Group Pty Ltd <Van de Velde Super Fund A/C>	4,111,361	0.918
Kuyan Pty Ltd	3,125,000	0.697
Perpetual Trustees Consolidated Limited <Van de Velde A/C>	3,097,000	0.691
Mr Marcus Hugh Titley	3,000,000	0.670
David Rivett Pty Limited <Super Fund A/C>	3,000,000	0.670
Kizogo Pty Limited	2,805,827	0.626
Mrs Jacqueline Kim Gun Hellings <Box A/C>	2,700,000	0.603
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 John Anthony Dowson & Mrs Ellen Dowson <J & E Dowson Super Fund A/C>	2,455,934	0.548
Mr Thomas Francis O'Brien <T F O'Brien Family A/C>	2,375,000	0.530

The Percentage of the total holding held by the twenty largest holders of ordinary shares was 18.879 % (2005: 17.973%)