

Appendix 4D

Half Year Report

Period ending on 31 December 2005

Name of entity

HITEC ENERGY LIMITED

ABN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('current period')
38 009 113 160	<input checked="" type="checkbox"/>	<input type="checkbox"/>	31 DECEMBER 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$A'000
Revenues from ordinary activities	up/ down	12%	to	122
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	up/ down	1,154%	to	125
Profit (loss) from ordinary activities after tax attributable to members	up/ down	1,154%	to	125
Net profit (loss) for the period attributable to members	up/ down	1,154%	to	125

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend)		
Interim dividend	N/A	N/A
Previous corresponding period	N/A	N/A

Earnings per security (EPS)	Current period	Previous corresponding period
Calculation of the following in accordance with AASB 1027: <i>Earnings per Share</i>		
(a) Basic EPS	0.0002	(0.18)
(b) Diluted EPS (if materially different from (a))	0.0002	(0.18)
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	447,739,284	447,739,284

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security	0.63 cents	0.73 cents

HITEC ENERGY LIMITED

ABN 38 009 113 160

Half-Year Financial Statements and Reports

31 December 2005

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
Email: info@hitec-energy.com.au

Postal Address

PO Box 1597
West Perth WA 6872

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
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871
Email: admin@advancedshare.com.au

Stock Exchange Listing

Australian Stock
ASX Code: HTE

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Directors' Report

The Directors submit the financial report of the Company for the half-year ended 31 December 2005.

DIRECTORS' INFORMATION

The names of the Directors who held office during or since the end of the half year 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

REVIEW OF OPERATIONS

The details of the Company's activities during the half-year have been reported in the quarterly reports submitted to the Australian Stock Exchange Limited for the quarters ended 30 September 2005 and 31 December 2005. There are no other significant matters to report at this time.

ADOPTION OF NEW REPORTING STANDARDS

As this is the first interim financial report prepared under Australian equivalents to International Financial Reporting Standards (AIFRS), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report, as that report was presented under previous Australian Generally Accepted Accounting Principles (AGAAP).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 4 of this report.

This report is signed in accordance with a resolution of the Board of Directors

Dated 24 February 2006



ALAN SCOTT
Managing Director

Directors' Declaration

The directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 7 to 16:
 - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b) give a true and fair view of the Company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date.
- 2) In the directors' 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 Board of Directors



ALAN SCOTT
Managing Director

Dated at Perth this 24 February 2006

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as auditor for the review of Hitec Energy Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP



SEAN MCGURK
Partner

Dated 24 February 2006

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HITEC ENERGY LIMITED

Scope

The half-year financial report and directors' responsibility

The half-year financial report comprises the balance sheet, income statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Hitec Energy Limited (the company), for the half-year ended 31 December 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the half-year 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 half-year financial report.

Review approach

We have performed an independent review of the half-year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half-year financial report is not presented fairly in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF HITEC ENERGY LIMITED (cont)**

Independence

In conducting our review, 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 review opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hitec Energy Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP



SEAN MCGURK
Partner

Dated 24 February 2006

Balance Sheet

As at 31 December 2005

	31/12/2005	30/06/2005
	\$	\$
Current assets		
Cash	548,148	624,916
Receivables	2,363,056	11,862
	2,911,204	636,778
Non-current assets		
Receivables	10,800	10,518
Investment	1	1
Plant & equipment	51,636	2,163,648
	62,437	2,174,167
Total assets	2,973,641	2,810,945
Current liabilities		
Payables	106,505	55,759
Provisions	13,395	26,986
Total liabilities	119,900	82,745
Net assets	2,853,741	2,728,200
Equity		
Issued capital	31,945,648	31,945,648
Reserves	59,000	59,000
Accumulated losses	(29,150,907)	(29,276,448)
Net equity	2,853,741	2,728,200

This Balance Sheet should be read in conjunction with the accompanying notes.

Income Statement

For the half-year ended 31 December 2005

	31/12/2005	31/12/2004
	\$	\$
Classification of expense by nature		
Revenue from ordinary activities	122,961	108,742
Profit on sale of plant and equipment	683,947	-
Employee benefits expense	(318,488)	(375,436)
Depreciation and amortisation expenses	(45,949)	(117,076)
Finance costs	-	(1,255)
Other expenses from ordinary activities	(316,930)	(424,834)
Profit (Loss) from ordinary activities before income tax	125,541	(809,859)
Income tax expenses relating to ordinary activities	-	-
Profit (Loss) from ordinary activities after income tax	125,541	(809,859)
Basic earnings per share (cents per share)	0.0002	(0.18)
Diluted earnings per share (cents per share)	0.0002	(0.18)

This Income Statement should be read in conjunction with the accompanying notes.

Statement Of Cash Flows

For the half-year ended 31 December 2005

	31/12/2005	31/12/2004
	\$	\$
Cash flows from operating activities		
Receipts from operations	31,127	38,725
Receipts from R&D Start Grant	-	29,988
Receipt from R&D Tax Concession	64,363	-
Payments to suppliers and employees	(598,253)	(956,977)
Interest received	13,495	40,029
Finance costs	-	(1,255)
	(489,268)	(849,490)
Cash flows from investing activities		
Deposit received on sale of plant and equipment	412,500	-
Payment for research and development	-	(117,442)
Payments for exploration expenditure	-	(35,764)
	412,500	(153,206)
Cash provided by (used in) investing activities		
	-	-
Cash provided by financing activities		
	-	-
Net (decrease)/increase in cash held	(76,768)	(1,002,696)
Cash at 1 July 2005	624,916	2,099,849
Cash at 31 December 2005	548,148	1,097,153

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

Statement Of Changes in Equity

For the half-year ended 31 December 2005

	Share Capital	Accumulated Losses	Option Reserve	Total
Balance at 1 July 2004	31,945,648	(24,465,466)	59,000	7,539,182
Loss attributable to members of the company	-	(809,859)	-	(809,859)
Balance at 31 December 2004	<u>31,945,648</u>	<u>(25,275,325)</u>	<u>59,000</u>	<u>6,729,323</u>
Balance at 1 July 2005	31,945,648	(29,276,448)	59,000	2,728,200
Profit attributable to members of the company	-	125,541	-	125,541
Balance at 31 December 2005	<u>31,945,648</u>	<u>(29,150,907)</u>	<u>59,000</u>	<u>2,853,741</u>

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes To And Forming Part Of The Financial Statements

For the half-year ended 31 December 2005

Note 1 Basis of preparation of the Half-Year Financial Report

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB134; Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by HiTec Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first interim financial report prepared under Australian equivalents to International Financial Reporting Standards (AIFRS), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report, as that report was presented under previous Australian Generally Accepted Accounting Principles (AGAAP).

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Notes To And Forming Part Of The Financial Statements

For the half-year ended 31 December 2005

Previous GAAP at 1.7.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 1.7.2004
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Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of Equity at 1 July 2004

	\$	\$	\$
Current Assets			
Cash assets	2,099,849	-	2,099,849
Receivables	48,888	-	48,888
Total current assets	2,148,737	-	2,148,737
Non-current assets			
Receivables	10,252	-	10,252
Other financial assets	1	-	1
Plant & equipment	2,298,229	-	2,298,229
Other	3,426,632	-	3,426,632
Total non-current assets	5,735,114	-	5,735,114
Total assets	7,883,851	-	7,883,851
Current liabilities			
Payables	303,844	-	303,844
Provisions	40,825	-	40,825
Total current liabilities	344,669	-	344,669
Net assets	7,539,182	-	7,539,182
Equity			
Contributed equity	31,945,648	-	31,945,648
Reserves *	-	59,000	59,000
Accumulated losses	(24,406,466)	(59,000)	(24,465,466)
Total equity	7,539,182	-	7,539,182

* Reserves comprise the deemed cost at date of issue of share options granted to directors subsequent to 7 November 2002.

Notes To And Forming Part Of The Financial Statements

For the half-year ended 31 December 2005

	Previous GAAP at 31.12.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 31.12.2004
Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)			
Reconciliation of Equity at 31 December 2004			
	\$	\$	\$
Current Assets			
Cash assets	1,097,153	-	1,097,153
Receivables	23,699	-	23,699
Total current assets	1,120,852	-	1,120,852
Non-current assets			
Receivables	10,302	-	10,302
Other financial assets	1	-	1
Plant & equipment	2,230,517	-	2,230,517
Other	3,435,533	-	3,435,533
Total non-current assets	5,676,353	-	5,676,353
Total assets	6,797,205	-	6,797,205
Current liabilities			
Payables	47,085	-	47,085
Provisions	20,797	-	20,797
Total current liabilities	67,882	-	67,882
Net assets	6,729,323	-	6,729,323
Equity			
Contributed equity	31,945,648	-	31,945,648
Reserves *	-	59,000	59,000
Accumulated losses	(25,216,325)	(59,000)	(25,275,325)
Total equity	6,729,323	-	6,729,323

* Reserves comprise the deemed cost at date of issue of share options granted to directors subsequent to 7 November 2002.

Notes To And Forming Part Of The Financial Statements

For the half-year ended 31 December 2005

Previous GAAP at 30.6.2005	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.6.2005
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Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

Reconciliation of Equity at 30 June 2005

	\$	\$	\$
Current Assets			
Cash assets	624,916	-	624,916
Receivables	11,862	-	11,862
Total current assets	636,778	-	636,778
Non-current assets			
Receivables	10,518	-	10,518
Other financial assets	1	-	1
Plant & equipment	2,163,648	-	2,163,648
Other	-	-	-
Total non-current assets	2,174,167	-	2,174,167
Total assets	2,810,945	-	2,810,945
Current liabilities			
Payables	55,759	-	55,759
Provisions	26,986	-	26,986
Total current liabilities	82,745	-	82,745
Net assets	2,728,200	-	2,728,200
Equity			
Contributed equity	31,945,648	-	31,945,648
Reserves *	-	59,000	59,000
Accumulated losses	(29,217,448)	(59,000)	(29,276,448)
Total equity	2,728,200	-	2,728,200

* Reserves comprise the deemed cost at date of issue of share options granted to directors subsequent to 7 November 2002.

Notes To And Forming Part Of The Financial Statements

For the half-year ended 31 December 2005

	Previous GAAP	Effect of transition to of Australian equivalents to IFRS	Australian equivalents to IFRS
Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)			
Reconciliation of Profit or Loss for the half-year 31 December 2004			
	\$	\$	\$
Revenue from ordinary activities	108,742	-	108,742
Employee benefits expense	(375,436)	-	(375,436)
Depreciation and amortisation expenses	(117,076)	-	(117,076)
Borrowing costs	(1,255)	-	(1,255)
Other expenses from ordinary activities	(424,834)	-	(424,834)
Loss from ordinary activities before related income tax expense	(809,859)	-	(809,859)
Income tax expense relating to ordinary activities	-	-	-
Loss from ordinary activities after income tax and total change in equity	(809,859)	-	(809,859)

Notes To And Forming Part Of The Financial Statements

For the half-year ended 31 December 2005

	Previous GAAP	Effect of transition to of Australian equivalents to IFRS	Australian equivalents to IFRS
Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)			
Reconciliation of Profit or Loss for the full year to 30 June 2005			
	\$	\$	\$
Revenue from ordinary activities	243,264	-	243,264
Employee benefits expense	(707,066)	-	(707,066)
Depreciation and amortisation expenses	(133,404)	-	(133,404)
Write-off of research and development expenditure	(1,300,793)	-	(1,300,793)
Write-off of exploration expenditure	(1,518,030)	-	(1,518,030)
Write-off of patenting expenditure	(607,809)	-	(607,809)
Other expenses from ordinary activities	(787,144)	-	(787,144)
Loss from ordinary activities before income tax expense	(4,810,982)	-	(4,810,982)
Income tax expense relating to ordinary activities	-	-	-
Loss from ordinary activities after income tax and total change in equity	(4,810,982)	-	(4,810,982)

Note 3 Events subsequent to Reporting Date

Since 30 June 2005, the Company has completed the foreshadowed sale of its Cawse Plant. No other event has arisen that would be likely to materially affect the operations of the Company or the state of affairs of the Company in current or future financial periods.

Note 4 Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 5 Segment Information

The Company operates in one business and one geographical segment, being EMD development in Australia.

Note 6 Deferred Tax Benefit

The potential deferred tax benefit to be derived from tax losses carried forward and timing differences have been calculated, but not brought to account due to uncertainty over the ultimate recovery.