

Appendix 4E

Preliminary final report Period ending 30 June 2007

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 type="checkbox"/>	<input checked="" type="checkbox"/>	30 JUNE 2007

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A'000

Revenues from ordinary activities	up /down	81%	to	144
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	up /down	82%	to	(849)
Profit (loss) from ordinary activities after tax attributable to members	up /down	82%	to	(849)
Net profit (loss) for the period attributable to members	up /down	82%	to	(849)
Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend	N/A	N/A		
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	(0.19)	(0.10)
(b) Diluted EPS (if materially different from (a))	(0.19)	(0.10)
(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	0.31 cents	0.50 cents

Income Statement

For the year ended 30 June 2007

	Note	2007 \$	2006 \$
Revenue			
Interest		106,937	44,999
Other Income			
Profit on sale of plant & equipment		-	683,947
Rent		7,700	53,075
Sundry income		29,248	10,752
		143,885	792,773
Expenditure			
Administration		274,945	326,580
Business development		128,857	195,026
Depreciation	4	10,991	53,304
Employee benefits		559,589	665,491
Exploration		45,749	27,438
Loss on sale of plant & equipment	4	1,113	26,442
Patenting		6,673	11,226
Research & development		26,500	17,033
		1,054,417	1,322,540
Loss before income tax		910,532	529,767
Income tax credit: current	9	61,859	64,364
		848,673	465,403
Loss for the year			
Basic loss per share (cents per share)	14	0.19	0.10
Diluted loss per share (cents per share)	14	0.19	0.10

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

Balance Sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	5	1,381,012	2,522,557
Receivables	6	13,222	14,500
Prepayments		25,623	15,081
		<u>1,419,857</u>	<u>2,552,138</u>
Non-current assets			
Receivables	6	40,821	38,526
Plant & equipment	4	19,657	32,880
Investment	7	-	1
		<u>60,478</u>	<u>71,407</u>
Total assets		<u>1,480,335</u>	<u>2,623,545</u>
Current liabilities			
Creditors & accruals		27,815	307,850
Provision for employee benefits		17,436	28,848
		<u>45,251</u>	<u>336,698</u>
Non-current liabilities			
Provision for employee benefits		20,959	24,049
Total liabilities		<u>66,210</u>	<u>360,747</u>
Net assets		<u>1,414,125</u>	<u>2,262,798</u>
Shareholders funds			
Contributed equity	2	31,945,649	31,945,649
Reserves	3	37,905	59,000
Accumulated losses		(30,569,429)	(29,741,851)
Net equity		<u>1,414,125</u>	<u>2,262,798</u>

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

Statement of Changes in Equity

For the year ended 30 June 2007

	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
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
Balance at 1 July 2006	31,945,649	(29,741,851)	59,000	2,262,798
Reversal of previously booked cost for options lapsed during year	-	21,095	(21,095)	-
Loss attributable to members of the company	-	(848,673)	-	(848,673)
Balance at 30 June 2007	31,945,649	(30,569,429)	37,905	1,414,125

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

Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
Note	\$	\$
Cash flow from operating activities		
Payments to suppliers and employees	(1,319,160)	(999,766)
Interest received	106,937	44,999
Rentals received	7,700	53,075
Research & development grants received	61,859	64,364
	<u>(1,142,664)</u>	<u>(837,328)</u>
19		
Cash flow from investing activities		
Proceeds from sale of plant & equipment	1,119	2,756,000
Purchase of plant & equipment	-	(21,031)
	<u>1,119</u>	<u>2,734,969</u>
Net (decrease)/increase in cash held	(1,141,545)	1,897,641
Cash and cash equivalents at beginning of year	<u>2,522,557</u>	<u>624,916</u>
Cash and cash equivalents at end of year	5 <u>1,381,012</u>	<u>2,522,557</u>

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

Notes to Financial Statements

For the year ended 30 June 2007

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 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. 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. The following sub-notes set out the material accounting policies that have been adopted and consistently applied, unless otherwise stated.

a) Comparative figures

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

b) Exploration expenditure

The company's policy with respect to exploration expenditure is to write off all costs as incurred. Accordingly, exploration expenditure of \$45,749 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.

c) 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 \$26,500 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.

d) Patenting expenditure

The company's policy with respect to patenting expenditure is to write off all costs as incurred. Accordingly, patenting expenditure of \$6,673 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.

e) 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.

Notes to Financial Statements (continued)

For the year ended 30 June 2007

f) **Income taxation**

The income tax expense is the tax payable on the current period's taxable income based on the tax rate.

Deferred tax balances are not recognised where it is not probable that they will be utilised (deferred tax assets, including unused tax losses) or reverse (deferred tax liabilities) in the foreseeable future.

Research and development tax concessions received are included as current tax credits in the year of receipt rather than as revenue, to comply with accounting standards.

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 on a reducing balance basis over their useful lives commencing from the time that the assets are held ready for use. Office furnishings and mechanical equipment are depreciated at 20% per annum. Electronic equipment is depreciated at 40% per annum.

i) **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.

j) **Revenue**

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

k) **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.

l) **Cash and cash equivalents**

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

Notes to Financial Statements (continued)

For the year ended 30 June 2007

m) 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.

n) New accounting standards and implications

No new Australian Accounting Standard, which has been issued but is not yet effective for 30 June 2007 reporting periods, has been early adopted or is expected to have any significant effect on a future reporting period.

Note 2 Contributed equity

At the beginning and end of the financial years ending 30 June 2006 and 30 June 2007 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 3 Reserves

During the year, the portion of the option reserve that related to options lapsing during the year was reversed. The value of these options was \$21,095.

Note 4 Plant & equipment

	2007	2006
	\$	\$
Office furniture & equipment - at cost	180,429	190,572
Accumulated depreciation	(160,772)	(157,692)
	19,657	32,880

During the year, an item of plant and equipment was sold for \$1,119, realising a loss on sale of \$1,113.

Movements in plant and equipment during the year:

	\$	
Written down value at 1 July	32,880	2,163,648
Additions	-	21,031
Disposals	(2,232)	(2,098,495)
Depreciation expense	(10,991)	(53,304)
Written down value at 30 June	19,657	32,880

Notes to Financial Statements (continued)

For the year ended 30 June 2007

Note 5	Cash and cash equivalents	2007	2006
		\$	\$
	Cash at bank and in hand	91,107	119,903
	Short term deposits	1,290,905	2,402,654
		<u>1,381,012</u>	<u>2,522,557</u>

The above balance agrees to cash equivalents per the cash flow statement.
Note 17 provides details in respect of interest rates being earned.

Note 6	Receivables	2007	2006
		\$	\$
	Current: Other receivables	13,222	14,500
	Non-current: Performance bonds	40,821	38,526
		<u>54,043</u>	<u>53,026</u>

Note 7	Investment	2007	2006
		\$	\$
	Investment in controlled entity at cost	-	<u>1</u>

The company's wholly owned subsidiary, SRDC NL, was liquidated during the year. It was not consolidated in these financial statements on the basis of its immateriality.

Note 8	Auditor's remuneration	2007	2006
		\$	\$
	Remuneration of the auditor for:		
	Auditing - y/e 30 June 2007	16,790	-
	- y/e 30 June 2006	4,735	16,295
	- y/e 30 June 2005	-	13,550
	Other services	-	4,000
		<u>21,525</u>	<u>33,845</u>

Auditor 2007: BDO Kendalls (formerly Horwath); 2005/06: Grant Thornton

Note 9 **Income tax**

A prima facie income tax benefit of \$254,602 (2006: \$158,930), calculated at 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 during the period under review.

At 30 June 2007, the company had estimated carry forward tax losses of \$14,961,207 (2006: \$14,112,534 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.

Notes to Financial Statements (continued)

For the year ended 30 June 2007

Note 10 Key management personnel compensation

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. The company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report.

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 is located on pages 8 and 9 of this Annual Report.

Note 11 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, 1,500,000 options previously issued to employees at an exercise price of 7.6¢ expired. At 30 June 2007, there were 2,500,000 options outstanding and exercisable under the employee share scheme each having an exercise price of 7.6¢ (2006: 4,000,000 at 7.6¢). The weighted average remaining contractual life of these outstanding and exercisable options is 12 months (2005: 26 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 fair value, or calculated impact, at 30 June 2005 of the abovementioned outstanding options, was derived using Black-Scholes methodology from their exercise price of 7.6¢, their average remaining contractual life of 38 months, the company share price average in the week prior to issue of 6.1¢ and estimates for expected share price volatility plus risk free rate of 38% and 5% respectively.

Note 12 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 13 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 Financial Statements (continued)

For the year ended 30 June 2007

Note 14 Earnings per share	2007	2006
	\$	\$
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, only 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 \$845,423 (2005: \$ 465,403).

Note 15 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 16 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. 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	05/11/07	8.0	\$80,100	100%
Sunday Hill	ML 46/237	05/11/07	7.3	\$73,000	100%
Port Hedland	G 45/265	05/06/08	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 \$29,068, backed by a term deposit of equal amount exists in respect of the tenancy obligation. Annual commitments under the lease amount to \$36,650 (2006: \$31,117) for rent and \$7,500 (2006: \$6,000) for parking. The terms of the lease include an annual rental adjustment to the greater of defined market value or the rent for the preceding year increased by 5%, with parking rental to be the greater of defined market value or the rental paid in the preceding year. Minimum amounts payable under the lease within 12 months are \$44,150 (2006: \$37,117), between 12 months and 5 years \$29,433 (2006: \$61,862) and greater than 5 years \$nil (2006: \$nil).

Notes to Financial Statements (continued)

For the year ended 30 June 2007

Note 17 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
	\$	\$	\$	\$
2007				
Financial assets & liabilities				
Cash and cash equivalents	89,496	1,290,905	611	1,381,012
Receivables - current	-	-	13,222	13,222
- non-current	11,753	29,068	-	40,821
Creditors & accruals	-	-	(27,815)	(27,815)
	101,249	1,319,973	(13,982)	1,407,240
Weighted average interest rate	3.51%	5.90%		
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	3.31%	5.27%		

Note 18 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.

Note 19 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 2007.

However, on 27 July 2007 the Company signed a Heads of Agreement with M/s Cube Mines & Minerals Pvt Ltd which is likely in the opinion of the directors to have such impacts, in a positive manner, in financial years thereafter.

Notes to Financial Statements (continued)

For the year ended 30 June 2007

Note 19	Reconciliation of net cash used in operating activities with loss after income tax	2007	2006
		\$	\$
	Loss after income tax	848,673	465,403
	<u>Items classified as investing/financing activities</u>		
	Net (loss) gain on disposal of assets	(1,114)	657,505
	<u>Non-cash items</u>		
	Depreciation	(10,991)	(53,304)
	<u>Changes in assets and liabilities</u>		
	Increase/(decrease) in receivables and prepayments	11,559	45,727
	(Increase)/decrease in creditors and accruals	280,035	(237,214)
	(Increase)/decrease in provisions	14,502	(40,789)
	Net cash used in operations	1,142,664	837,328

Compliance statement

- 1 This report has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on ⁺accounts to which one of the following applies.
- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input checked="" type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 The accounts are not the subject of any dispute or qualification.
- 6 The entity does not have a formally constituted audit committee.



Sign here:

.....
(~~Director~~/Company Secretary)

Date: ..14 August 2007.....

Print name:GREG LEDGER.....