

Appendix 4E

Preliminary final report Period ending 30 June 2008

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 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A'000

Revenues from ordinary activities	up/ down	672%	to	1,112
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	up/ down	104%	to	36
Profit (loss) from ordinary activities after tax attributable to members	up/ down	104%	to	36
Net profit (loss) for the period attributable to members	up/ down	104%	to	36
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 <i>AASB 1027: Earnings per Share</i>		
(a) Basic EPS	(0.0)	(0.2)
(b) Diluted EPS (if materially different from (a))	(0.0)	(0.2)
(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	0.32 cents	0.31 cents

Income Statement

For the year ended 30 June 2008

	Note	2008 \$	2007 \$
Revenue from continuing operations			
Interest		69,466	106,937
Other Income			
Recoupment of past expenditure	8	1,027,229	-
Rent		13,200	7,700
Sundry income		2,280	29,248
		1,112,175	143,885
Expenditure			
Administration		291,992	274,945
Business development		140,597	128,857
Depreciation	4	6,926	10,991
Employee benefits		401,634	497,197
Superannuation		57,386	62,392
Exploration		125,311	45,749
Loss on sale of plant & equipment	4	292	1,113
Patenting		9,931	6,673
Research & development		102,900	26,500
		1,136,969	1,054,417
Loss before income tax		(24,794)	(910,532)
Current income tax credit	9	60,324	61,859
Profit (loss) for the year		35,530	(848,673)
Representing:			
Basic profit (loss) per share (cents per share)	15	0.0	(0.2)
Diluted profit (loss) per share (cents per share)	15	0.0	(0.2)

Balance Sheet

As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash & cash equivalents	6	1,406,791	1,381,012
Trade & other receivables	7	44,775	13,222
Inventories		895	-
Prepayments		23,788	25,623
		<u>1,476,249</u>	<u>1,419,857</u>
Non-current assets			
Trade & other receivables	7	43,578	40,821
Plant & equipment	4	14,187	19,657
		<u>57,765</u>	<u>60,478</u>
Total assets		<u>1,534,014</u>	<u>1,480,335</u>
Current liabilities			
Trade & other payables		43,700	36,492
Provision for long service leave		9,737	9,123
		<u>53,437</u>	<u>45,615</u>
Non-current liabilities			
Provision for long service leave		30,922	20,595
Total liabilities		<u>84,359</u>	<u>66,210</u>
Net assets		<u>1,449,655</u>	<u>1,414,125</u>
Equity			
Contributed equity	2	31,945,649	31,945,649
Reserves	3	24,421	37,905
Accumulated losses		(30,520,415)	(30,569,429)
Net equity		<u>1,449,655</u>	<u>1,414,125</u>

Statement of Changes in Equity

For the year ended 30 June 2008

	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
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
Balance at 1 July 2007	31,945,649	(30,569,429)	37,905	1,414,125
Reversal of previously booked cost for options lapsed during year	-	13,484	(13,484)	-
Profit (loss) attributable to members of the company	-	35,530	-	35,530
Balance at 30 June 2008	31,945,649	(30,520,415)	24,421	1,449,655

Cash Flow Statement

For the year ended 30 June 2008

	Note	2008 \$	2007 \$
Cash inflow (outflow) from operating activities			
Recoupment of past expenditures		1,027,229	-
Payments to suppliers and employees		(1,141,797)	(1,319,160)
Interest received		69,466	106,937
Rentals received		13,200	7,700
Research & development grants received		60,324	61,859
	21	28,422	(1,142,664)
Cash inflow (outflow) from investing activities			
Proceeds from sale of plant & equipment		-	1,119
Purchase of plant & equipment		(1,748)	-
Purchase of inventories		(895)	-
		(2,643)	1,119
Increase (decrease) in cash & cash equivalents		25,779	(1,141,545)
Cash & cash equivalents at beginning of year		1,381,012	2,522,557
Cash & cash equivalents at end of year	6	1,406,791	1,381,012

Notes to Financial Statements

For the year ended 30 June 2008

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. For the current and prior financial year, management considers there are no areas in the financial statements which, by application of the company's accounting policies, are subject to significant estimates or judgement. The following sub-notes set out the material accounting policies that have been adopted and consistently applied, unless otherwise stated.

a) 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 the 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.

b) Comparative figures

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

c) Expenditure on intangible assets

The company's policy with respect to expenditure on intangible assets is to write off all costs as incurred. Accordingly, exploration expenditure of \$125,311, research & development expenditure of \$102,900 and patenting expenditure of \$9,931 has been written off during the year. Writing off expenditures on intangible assets as incurred does not indicate any diminution in the board's view of the intrinsic value of the mining leases, acquired research knowledge or patents held by the company. Rather, this approach is adopted as it is the most prudent treatment available under current accounting standards for such expenditures.

d) 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.

e) Income taxation

Where applicable, income tax expense is calculated by applying the ruling tax rate for a period to the period's taxable income. Where a tax loss has occurred, deferred tax balances are not recognised in the income statement unless it is probable that they will be utilised (ie, deferred tax assets, including unused tax losses) or reversed (ie, deferred tax liabilities) in the foreseeable future. Research & development tax concessions received are included as current income tax credits in the year of receipt rather than as revenue, to comply with accounting standards.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

f) Lease costs

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.

g) Goods & 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.

h) Financial assets and liabilities

Cash, cash equivalents and receivables are stated at cost then subsequently adjusted to the recoverable amount where this is deemed to be lower than cost. Cash and cash equivalents include readily convertible amounts held with maturity dates of less than three months. Payables are stated at cost then subsequently adjusted to the payable amount where this is deemed to be higher than cost. They represent unpaid unsecured liabilities for goods and services provided to the company prior to the year end. Trade payables are usually paid within 30 days. Any realised or unrealised gain or loss arising as a result of restating a financial asset or liability 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.

i) Plant & equipment

Plant & equipment is measured on the cost basis, less where applicable, accumulated depreciation and impairment loss. 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.

j) Depreciation

Where applicable, plant & equipment is depreciated on a reducing balance basis over its useful life, commencing from the time that an asset is held ready for use. Office furnishings and mechanical equipment are depreciated at 20% per annum. Electronic equipment is depreciated at 40% per annum.

Note 2 Contributed equity

At the beginning and end of the financial years ending 30 June 2007 and 30 June 2008 the company had contributed equity of \$31,945,649 raised from the issue of 447,739,284 fully paid shares. Ordinary shares, which have no par value, participate in dividends and the proceeds on winding up of the company in proportion to the number of the shares held. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 3 Reserves

During the year \$13,484 (2007: \$21,095), being the portion of the option reserve that related to options expiring during the year, was reversed.

Note 4 Plant & equipment

	2008	2007
	\$	\$
Office furniture & equipment - at cost	177,281	180,429
Accumulated depreciation	(163,094)	(160,772)
	<u>14,187</u>	<u>19,657</u>

During the year, an item of plant and equipment was disposed of for no value realising a loss of \$292.

Movements in plant and equipment during the year:	\$	\$
Written down value at 1 July	19,657	32,880
Additions	1,748	-
Disposals	(292)	(2,232)
Depreciation expense	(6,926)	(10,991)
Written down value at 30 June	<u>14,187</u>	<u>19,657</u>

Note 5 Intangible assets

Expenditure on intangible assets such as exploration, research & development and patents is written off as incurred and no valuation carried forward on the balance sheet. Whilst this is an appropriate and prudent accounting policy, in an economic sense such expenditures have undoubtedly enabled the company to acquire and maintain intangible assets that are inherently valuable. In addition to valuable knowledge gleaned from exploring, researching and the like, at the end of the 2007 and 2008 financial years the company held the following tenement and patent assets that the directors believe are of economic value to the company:

- Tenements
 - ML 46/237 Ant Hill mining lease containing manganese resources.
 - ML 46/237 Sunday Hill mining lease containing manganese resources.
 - G 45/265 Boodarie general purpose lease held as future plant site.
- Patents or patent applications
 - "Hydrometallurgical Processing of Manganese Containing Materials" (Australia, International, South Africa, United States and China.)
 - "Improved Hydrometallurgical Processing of Manganese Containing Materials" (Australia, International, South Africa, United States and China.)
 - "A Method for Producing a Micronutrient Fertilizer" (Australia)

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 6	Cash & cash equivalents	2008	2007
		\$	\$
	Cash at bank and in hand	66,778	90,107
	Short term deposits	1,340,013	1,290,905
		1,406,791	1,381,012

Note 7	Receivables	2008	2007
		\$	\$
	Current: Other receivables	44,775	13,222
	Non-current: Performance bonds	43,578	40,821
		87,353	54,043

No receivables are past due or impaired.

Note 8 Joint venture interests

On 29 April 2008, the company entered into a farm-in and joint venture agreement with Auvex Resources Limited (Auvex) under which Auvex may acquire a 50% interest in the company's two mining tenements, and associated exploration tenement applications, by the payment of \$1m to HiTec in recognition of expenditures on the leases up to 2007, plus the payment of the first \$7.25m of project costs. Auvex is the manager of the farm-in and production joint venture and by 30 June 2008, had paid the A\$1m due to HiTec and incurred \$0.5m towards its spending obligations under the agreement. Should the joint venture be initiated prior to Auvex spending \$7.25m, then it must fund the initial cash calls for both parties to the extent of the unspent balance.

As part of the \$0.5m incurred to 30 June 2008, Auvex has paid HiTec a further \$27,229 in respect of tenement expenses that HiTec incurred in 2008 up until 29 April 2008. Future tenement costs will be paid by Auvex until its \$7.25m spending commitment is reached, and then shared on a 50:50 basis.

Auvex and HiTec simultaneously entered into a heads of agreement for a joint sale of ore anticipated from the production joint venture. HiTec is the manager of joint sales arrangements and by 30 June 2008, the joint venture partners had incurred marketing expenditures of \$29,318 of which HiTec's 50% has been expensed in the current year.

Note 9 Income tax

A prima facie income tax expense of \$10,659 (2007: income tax benefit of \$254,602), calculated at 30% of the operating profit (loss) for the year has not been brought to account in either year. As disclosed in note 1, the current income tax credit in each financial year results from treating research & 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 2008, the company had estimated carry forward tax losses of \$14,842,649 (2007: \$14,853,308 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 2008

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 Remuneration Report section of the Directors' Report which forms part 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, 1,000,000 options, previously issued to employees at an exercise price of 7.6¢, have expired.

At 30 June 2008, there were 1,500,000 options outstanding, vested and exercisable under the employee share scheme each having an exercise price of 7.6¢ (2007: 2,500,000 at 7.6¢). The remaining outstanding and exercisable options were granted on 24 November 2003 and will expire on 24 November 2008 unless exercised beforehand. 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 contractual life of 46 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. The option reserve balance of \$24,421 reflects this fair value.

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 Segment reporting

The company operates in one business segment, namely the mineral resources sector. 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 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 2008

Note 15 Earnings per share	2008	2007
	\$	\$
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 'in-the-money' options outstanding	11,800,000	-
Weighted average number of securities outstanding during the year used in calculating diluted loss per share	459,539,284	447,739,284

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.

Note 16 Lease commitments

The company has obligations to perform exploration work on its mining tenements in accordance with the Department of Industry and Resources expenditure requirements. A Bank Guarantee facility for \$10,000 exists in respect of these 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%

Under a farm-in and joint venture agreement entered into on 29 April 2008, the company's interest in the Ant Hill and Sunday Hill mining leases, and its obligations thereunder, will reduce to 50% upon initiation of the joint venture, which event is likely to occur before the end of the current calendar year. Additionally under the joint venture agreement, Auvex will fund 100% of the obligations until such time as it has met its \$7.25m obligation.

An office rental lease exists, which expires on 28 February 2009, but has an option to renew for an additional 3 years. Monthly rent is payable in advance. A Bank Guarantee facility for \$31,095 (2007: \$29,068), backed by a term deposit of equal amount exists in respect of the tenancy obligation. Annual commitments under the lease amount to \$46,482 (2007: \$44,150).

The terms of the office rental 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 \$30,988 (2007: \$44,150), between 12 months and 5 years \$nil (2007: \$29,433) and greater than 5 years \$nil (2007: \$nil).

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 17 Financial risk management

The management of the financial risks to which the company is exposed is the responsibility of the chief executive officer under the direction of the board. During the financial years under review, the only financial risks of any significance to which the company was exposed were:

- Cash flow interest rate risk on cash & cash equivalents;
- Credit risk on cash & cash equivalents;
- Liquidity risk; and
- Fair value estimation risk.

Cash flow interest rate risk on cash & cash equivalents

The company keeps the minimum necessary cash in hand and at bank to pay its expenses as they fall due. The cash at bank earns interest on a daily basis at the rates for cash management accounts offered by its banker from time to time. During the current financial year an average interest rate of 1.9% was achieved (2007: 2.8%) on cash at bank.

As disclosed in the notes to these financial statements, the majority of the company's liquid funds are held in fixed term deposits with maturities out to twelve months at rates of interest offered by its banker from time to time. During the current financial year an average interest rate of 8.0% was achieved (2007: 5.9% on fixed term deposits).

As at 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates and all other variables held constant, post-tax profit for the year would be \$9,416 higher/lower (2007: \$16,738 higher/lower) from interest income on cash and cash equivalents.

Credit risk

At all times during the financial years under review the company's cash and cash equivalents maintained at bank or on fixed term deposit were invested with the National Australia Bank Limited. The board considers this entity to have sufficient financial strength to minimise the credit risk exposure of the company and, to date, has not seen fit to diversify its investments. Should the quantum of cash & cash equivalents increase in future, the board would diversify its investments with other entities of comparable financial standing and impose credit limits for investment in any single entity. The maximum credit risk exposure for receivables is their carrying value.

Liquidity risk

The company is exposed to liquidity risk to the extent that it has inadequate capital to undertake its business objectives, or to the extent that the available capital, which is adequate in amount, has been invested in a manner that precludes the payment of creditors in a timely fashion. The board constantly monitors the adequacy of capital and the manner in which it is invested, which process includes a formal bi-monthly reporting of cash position, 'rolling twelve month' cash forecasts and detailed variance analysis from past forecasts. The company has no financial liabilities maturing greater than 6 months from the reporting date.

Fair value estimation risk

Fair value estimation risk applies to all receivable and payables balances, plus the plant & equipment held operational purposes. In all cases, the carrying values of these assets and liabilities, as disclosed in the balance sheet, approximate their fair values.

Notes to Financial Statements (continued)

For the year ended 30 June 2008

Note 18 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 2008.

Note 19 Capital risk management

In employing its capital (or net equity as it is referred to on the balance sheet) the company seeks to ensure that it will be able to continue as a going concern and in time provide value to shareholders by way of increased market capitalization or dividends. In the current stage of its development, the company has invested its available capital heavily in intangible assets such as acquiring and exploring mining tenements and researching and patenting process know-how as a means of achieving this ends. As is appropriate at this stage, the company is funded entirely by equity.

As it moves forward to commercialize these intangible assets, the company will adjust its capital structure to support its operational and strategic objectives, by raising additional capital or taking on debt, as is seen to be appropriate from time to time given the overriding objective of creating shareholder value. In this regard, the board will consider each step forward in the development of the company on its merits and in the context of the then capital markets, in deciding how to structure capital raisings.

Note 20 Auditor's remuneration

	<u>2008</u>	<u>2007</u>
	\$	\$
Remuneration of the auditor for:		
Auditing - y/e 30 June 2008	20,033	-
- y/e 30 June 2007	566	16,790
- y/e 30 June 2006	-	4,735
Other services	-	-
	<u>20,599</u>	<u>21,525</u>

Note 21 Reconciliation of net cash used in operating activities with profit after income tax

	<u>2008</u>	<u>2007</u>
	\$	\$
Profit (loss) after income tax	35,530	(848,673)
<u>Items classified as investing/financing activities</u>		
Loss on disposal of assets	292	1,114
<u>Non-cash items</u>		
Depreciation	6,926	10,991
<u>Changes in assets and liabilities</u>		
(Increase) decrease in receivables	(34,310)	(2,017)
(Increase) decrease in prepayments	1,835	(9,542)
Increase (decrease) in payables and accruals	(9,432)	(280,035)
(Increase) decrease in provisions	27,581	(14,502)
Net cash inflow (outflow) from operations	<u>28,422</u>	<u>1,142,664</u>

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: ..15 August 2008.....

Print name:

.....GREG LEDGER.....