

## Appendix 4D Half Year Report Period ending on 31 December 2004

Name of entity

HITEC ENERGY LIMITED
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	Half Yearly (tick)	Prelimina ry final (tick)	Half year/financial year ended
ABN	✓		31 DECEMBER 2004
38 009 113 160			

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A '000

Revenues form ordinary activities	<del>up</del> /down	129%	to	108
Note: Revenue includes AusIndustry Start Grant of \$29				
Profit (loss) from ordinary activities after tax (before amortisation of goodwill attributable to members)	<del>up</del> /down	33%	to	(809)
Profit (loss) from ordinary activities after tax attributable to members	<del>up</del> /down	33%	to	(809)
Net profit (loss) for the period attributable to members	<del>up</del> /down	33%	to	(809)

Dividends (distributions)	Amounts 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: Earnings per Share		
(a) Basic EPS	(0.18)	(0.32)
(b) Diluted EPS ( if materially different from	(0.18)	(0.32)
(c) Weighted Average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	447,739,284	417,969,202

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

## **CORPORATE DIRECTORY**

### **Directors**

N Coldham-Fussell  
Chairman

A Scott  
Managing Director & CEO

MH Titley  
Non-Executive Director

DR Teplitzky  
Non-Executive Director

### **Company Secretary**

RG Ledger

### **Principal & Registered Office**

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

### **Postal Address**

PO Box 1597  
West Perth WA 6872

### **Stock Exchange Listing**

Australian Stock Exchange  
ASX Code: HTE

### **Auditors**

Grant Thornton  
Chartered Accountants  
256 St Georges Terrace  
Perth WA 6000

### **Bankers**

National Australia Bank  
1232 Hay Street  
West Perth WA 6005

### **Solicitors**

Fearis Salter Power Shervington  
52 Ord Street  
West Perth WA 6005

### **Share Registry**

Advanced Share Registry Services  
Level 7  
200 Adelaide Terrace  
Perth WA 6000

### **Contents**

Directors' Report

Directors' Declaration

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## DIRECTORS REPORT

The Directors submit the financial report of the Company for the half year ended 31 December 2004.

## 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, 44 years experience, FCPA, FAusIMM, FCIS, FAIM, FAICD	Chairman
A Scott	Company Director, 38 years experience	Managing Director & CEO
MH Tittley	Company Director, 40 years experience	Non-Executive Director
DR Teplitzky	Company Director, 42 years experience	Non-Executive Director
RPB Harris (retired 30/11/2004)	Chartered Engineer, 40 years experience, DipCEng, MIEAust, MICE MAICD	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 2004 and 31 December 2004. There are no significant matters to report at this time.

## EMPLOYEE OPTIONS

Employee Options issued on the 17th December 1999 totalling 4,750,000 options at an exercise price of 20 cents and Employee Options issued on the 13th December 2000 totalling 4,900,000 options at an exercise price of 13.5 cents, expired on the 31st December 2004. None of the options were exercised.

THIS REPORT IS SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE BOARD OF DIRECTORS



Alan Scott  
Managing Director

Date: 10th February 2005

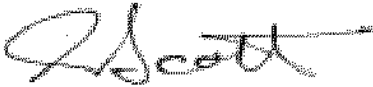
## DIRECTORS DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes
  - a) comply with Accounting Standards AASB 1029: Interim Financial Reporting and the Corporations Act 2001, and
  - b) give true and fair view of the Company's financial position as at 31 December 2004 and its performance for the half-year ended on that date;
2. in the Director's 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 MADE IN ACCORDANCE WITH A RESOLUTION OF DIRECTORS

DATED AT PERTH THIS 10<sup>th</sup> DAY OF FEBRUARY 2005

A handwritten signature in black ink, appearing to read 'A Scott', with a horizontal line extending to the right.

Alan Scott

## 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 2004, 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.



Sean McGurk  
Partner  
Grant Thornton

Perth, dated this 10<sup>th</sup> day of February 2005

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HITEC ENERGY LIMITED

### Scope

#### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for HiTec Energy Limited (the company), for the half-year ended 31 December 2004.

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.

#### Review approach

We have conducted an independent review of the 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 financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial 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 financial report with the Australian Securities & Investments Commission/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.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

#### Independence

In conducting our review, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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

**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 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



GRANT THORNTON  
Chartered Accountants



Sean McGurk  
Partner

Perth, dated this 10<sup>th</sup> day of February 2005

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2004

	<u>31/12/2004</u>	<u>30/06/2004</u>
	<u>\$</u>	<u>\$</u>
<b>Current assets</b>		
Cash assets	1,097,153	2,099,849
Receivables	23,699	48,888
<b>Total current assets</b>	<u>1,120,852</u>	<u>2,148,737</u>
<b>Non-current assets</b>		
Receivables	10,302	10,252
Other financial assets	1	1
Plant & equipment	2,230,517	2,298,229
Other	3,435,533	3,426,632
<b>Total non-current assets</b>	<u>5,676,353</u>	<u>5,735,114</u>
<b>Total assets</b>	<u>6,797,205</u>	<u>7,883,851</u>
<b>Current liabilities</b>		
Payables	47,085	303,844
Provisions	20,797	40,825
<b>Total current liabilities</b>	<u>67,882</u>	<u>344,669</u>
<b>Net assets</b>	<u>6,729,323</u>	<u>7,539,182</u>
<b>Equity</b>		
Contributed equity	31,945,648	31,945,648
Accumulated losses	<u>(25,216,325)</u>	<u>(24,406,466)</u>
<b>Total equity</b>	<u>6,729,323</u>	<u>7,539,182</u>

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

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE**  
**For the half-year ended 31 December 2004**

	<u>31/12/2004</u>	<u>31/12/2003</u>
	\$	\$
<b>Classification of expense by nature</b>		
Revenue from ordinary activities	108,742	47,233
Employee benefits expense	(375,436)	(411,070)
Depreciation and amortisation expenses	(117,076)	(105,089)
Borrowing costs	(1,255)	(4,302)
Other expenses from ordinary activities	(424,834)	(742,440)
<b>Loss from ordinary activities before related income tax expense</b>	<u>(809,859)</u>	<u>(1,215,668)</u>
Income tax expense relating to ordinary activities	-	-
<b>Loss from ordinary activities after income tax</b>	<u>(809,859)</u>	<u>(1,215,668)</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>(809,859)</u>	<u>(1,215,668)</u>
Basic loss per share (cents per share)	(0.18)	(0.32)
Diluted loss per share (cents per share)	(0.18)	(0.31)

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

**STATEMENT OF CASH FLOWS**  
For the half-year ended 31 December 2004

	<u>31/12/2004</u>	<u>31/12/2003</u>
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from operations	38,725	3,600
Grants received	29,988	100,000
Payments to suppliers and employees	(956,977)	(1,419,208)
Payments for research and development	(117,442)	(136,032)
Interest received	40,029	43,633
Interest and costs for finance paid	(1,255)	(4,302)
<b>Net cash used by operating activities</b>	<u><b>(966,932)</b></u>	<u><b>(1,412,309)</b></u>
<b>Cash flows from investing activities</b>		
Payment for plant and equipment	-	(2,506,890)
Payments for exploration expenditure	(35,764)	(31,385)
<b>Net cash used in investing activities</b>	<u><b>(35,764)</b></u>	<u><b>(2,538,275)</b></u>
<b>Cash from financing activities</b>		
Proceeds from issue of shares	-	5,000,000
Share issue costs	-	(250,000)
<b>Net cash provided by financing activities</b>	<u><b>-</b></u>	<u><b>4,750,000</b></u>
Net increase (decrease) in cash held	<u>(1,002,696)</u>	<u>799,416</u>
Cash at 1 July 2004	<u>2,099,849</u>	<u>537,354</u>
<b>Cash at 31 December 2004</b>	<u><b>1,097,153</b></u>	<u><b>1,336,770</b></u>

The above Statement of Cash Flows 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 2004**

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of HiTec Energy Ltd as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by HiTec Energy Ltd during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of accounting**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Changes in accounting policies**

The accounting policies are consistent with those applied in the 30 June 2004 Annual Report.

**(c) Research and development expenditure**

Deferred research and development expenditure is amortised on a straight-line basis over the period, during which the related benefits are expected to be realised, but not exceeding 20 years.

**Note 2: Events subsequent to Reporting Date**

Since 31 December 2004, no 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 3: Contingent liabilities**

There has been no change in contingent liabilities since the last Annual Report date.

**Note 4: Segment information**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2004**

**Note 5: Adoption of Australian Equivalents to International Financial Reporting Standards**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for the financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The directors will oversee and manage the entity's transition to IFRS. They will seek to keep shareholders informed as to the impact of the new standards as they are finalised.

The Directors are of the opinion that the key differences in the entity's accounting policies which will arise from the adoption of the IFRS are:

◆ **Research & Development Expenditure**

Standard AASB 138: Intangible Assets further requires that costs associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

◆ **Impairment of Assets**

The entity currently determines that recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less cost to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

◆ **Non-Current Investments**

Under the AASB 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains and losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

◆ **Income Tax**

Currently, the entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2004

**Note 5: Adoption of Australian Equivalents to International Financial Reporting Standards (cont.)**

◆ **Derivative Financial Investments**

The entity does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting of derivative financial instruments and hedging activities so that they are recorded in the financial statements.

## Compliance Statement

1 This report has been prepared under the accounting policies, which comply with accounting standards as defined in the Corporations Act 2001 or other standards acceptable to the ASX.

2 This report, and the accounts upon which the report is based (if Separatet), 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.

The \*accounts have been audited



The \*accounts have been reviewed

The \*accounts are in the process of being audited or subject to review

The \*accounts have not 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: \_\_\_\_\_

Print name: \_\_\_\_\_  
GREG LEDGER