



HiTec Energy Limited

2009 Annual Report

This page left intentionally blank

Corporate Directory

Directors & Officers

N Coldham-Fussell AO
Chairman

A Scott
Managing Director

MH Titley
Non-Executive Director

DR Teplitzky
Non-Executive Director

WT Brown
Non-Executive Director

ME van de Velde
Non-Executive Director

RG Ledger
Company Secretary

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

Stock Exchange Listing

ASX Code: HTE

Auditors

BDO Kendalls Audit & Assurance
(WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

Bankers

National Australia Bank Ltd
1232 Hay Street
West Perth WA 6005

Solicitors

Middletons
2/6 Kings Park Road
West Perth WA 6005

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands WA 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Postal Address:

PO Box 1156
Nedlands WA 6909

Australian Business Number

38 009 113 160

This page left intentionally blank

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	30

Chairman's Report

The financial year to 30 June 2009 was a very difficult one for HiTec. Internally, problems were encountered in implementing our business strategies whilst externally, the severe buffeting we received when world economies, and particularly steel production, faltered following the financial market crashes of late 2008 certainly did not help our cause.

That the company was able to continue striving towards its goals over the last eight months, without the cash flow from ore sales that it had hoped to achieve over that period, is a credit to all involved.

However, looking forward at the expenditures necessary over the balance of 2009, to move the company to a point where it would be sustained by cashflow from ore sales, it was abundantly clear that additional capital needed to be raised. This was so, despite the announcement of the company's first ore sale recently and the prospect of another to follow, in order to put the company in a position where it could weather any new unforeseen financial storm it may encounter.

Accordingly, in late July 2009 the company moved to secure an additional \$3m via a \$1.3m share placement to new shareholders and a \$1.7m fully underwritten share issue to existing shareholders.

This capital raising will provide significant cash injection that will augment the cashflow from the sale of stockpiled ore, commencing in the fourth quarter of 2009, and from the sale of regular ore production that is anticipated to commence early in 2010. The combination of all these transactions will place the Company in a very strong financial position throughout the mine start up phase and until such time as regular ore sales provide sustainable positive cash flow.

The additional funds will also provide HiTec with the flexibility to accelerate planning of its Boodarie secondary processing plant, if it is deemed prudent to do so. Given the continued resilience of the fertilizer product markets that the plant would initially supply, and the increased demand for high purity EMD for vehicle batteries, then the ability to move quickly down this path, whilst simultaneously supporting the ramp up of ore production at Ant Hill, could well prove a very rewarding strategy for the company.

HiTec's prospects over the next twelve months are good, despite the continued uncertainties faced by raw materials exporters. Here it is instructive to note that prices for manganese ores have now recovered to the levels seen around the time we commenced this venture. Furthermore, prices continue to edge up towards the levels that our analyses of supply and demand would indicate.

Our share price performance over the year has been lacklustre, with the gains recorded as we commenced our mining venture evaporating once it became clear the knock on effects of the financial crisis would delay any cash flow from ore sales. Low liquidity in the stock and dwindling cash reserves saw the price move further downwards over more recent months.

With the excellent cash flow potential from ore sales now close to realisation and the commercialisation of secondary processing patents potentially accelerated, the Board is confident that shareholders' patience will be rewarded through a significant share price re-rating in the near term.



NORMAN FUSSELL (Chairman)

Review of Operations

The operational efforts over the last year have been predominantly focused upon executing those actions necessary to initiate a sustainable cash flow from the mining and sale of ores derived from the Ant Hill and Sunday Hill mining leases. Whilst multitudinous in number and varied in nature, these efforts fall into two main categories:

- Monitoring of the farm-in expenditures which have led to the formation of the Mesa Mining Joint Venture through which the ore will be mined; and
- Sales and marketing activities for the ore that was produced during the trial mining exercise, which formed part of the farm-in stage and for future ore production anticipated to commence soon after final mining approvals are received.

The farm-in exercise can be further categorised into the following areas, each of which required various degrees of input and monitoring by HiTec:

- A \$1.0m exploration programme that paved the way for early production success and resulted in a three fold resource restatement at Ant Hill;
- A trial mining and old stockpile reprocessing exercise that resulted in approximately 80,000 tonnes of saleable manganese ores;
- Approximately \$0.9m of buildings, plant and equipment installed ready for use in regular mining operations;
- The refurbishment of the 70km haul road that connects the mining leases to the highway at Nullagine;
- The establishment of a temporary ore stockyard at Boodarie in Port Hedland; and
- The various approval applications and tenement holding cost actions required.

Similarly, the sales and marketing activities can be categorised into the following work types that consumed management's time during the year:

- The assessment of the ore produced by the trial mining exercise at Ant Hill for its potential as a feedstock for the various manganese alloy products, which in turn are consumed in steelmaking;
- The assessment of the 'value-in-use' of the ores produced when used in alloy production compared to that of their competitors;
- The identification of potential smelter end-users for the ore;
- Contact with potential customers, including smelter site visits to introduce them to this new ore;
- Negotiations for the sale of the trial mining tonnages; and
- Negotiations for port access.

These efforts have resulted in the sale of the first shipment of ore subsequent to balance date and stand HiTec in good stead for success in selling ore from the anticipated regular production.

Reflecting back over the year it is particularly pleasing that we have been able to continue to drive forward on the ore export front, whilst also keeping the commercialisation of our technology assets moving forward, and all this despite the chaos caused in this last year by the collapse of the world financial markets.



ALAN SCOTT (Managing Director)

Directors' Report

For the year ended 30 June 2009

The Remuneration Report set out on page 8 and 9 also forms part of this Directors' Report.

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, 49 years experience,	Non-Executive Chairman
A Scott	Company Director, 43 years experience.	MD & CEO
MH Titley	Company Director, 45 years experience.	Non-Executive Director
DR Teplitzky	Company Director, 47 years experience.	Non-Executive Director
WT Brown	Company Director, 48 years experience	Non-Executive Director
ME van de Velde	Company Director, 23 years experience	Non-Executive Director
P Blonk	Appointed 24 October 2008 – Resigned 2 March 2009	

Directors' Meetings

There were nine board meetings held during the year ended 30 June 2009. With the exception of Mr Titley and Mr Teplitzky, who each attended eight meetings, all other directors were present at all meetings that they were eligible to attend.

Norman Coldham-Fussell (AO, FCPA, FAusIMM, FCIS, FAIM, FAICD)

Mr Fussell was appointed Director and Chairman on 16 August 1999. He has vast experience in the resources industry encompassing general management, finance, marketing and project development. He was MD & CEO 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. He holds (directly and indirectly) 2,330,001 ordinary shares in the company.

Alan Scott

Mr Scott was appointed as MD and CEO on 20 May 2002. He is currently Chairman of Black Range Minerals Limited and a non executive director of Alloy Steel Australia (Int) Pty Ltd. Mr Scott was previously MD and CEO of Aurora Gold Limited and before that spent 22 years with Rio Tinto Limited, in senior level JV management, finance, acquisition, divestment and commercial negotiation roles. Mr Scott also spent 13 years with Coopers & Lybrand in Australia, Canada and the UK, gaining extensive experience in the resources industry during that time. He holds (directly or indirectly) 924,921 ordinary shares in the company.

Marcus Hugh Titley

Mr Titley was appointed Director on 8 June 1998. Prior to that he had 36 years experience in the stock broking industry notably State Manager of JB Were & Son, Stockbrokers, in Queensland from 1978 to 1996 before retiring from the industry. Mr Titley is Chairman of Mind Challenge Limited and, in his capacity as a private investor, holds directorships in a number of unlisted companies. He holds (directly or indirectly) 3,644,400 shares.

Directors' Report (continued)

David Raymond Teplitzky

Dr Teplitzky was appointed Director on 18 March 2002. He is currently Chairman of the US based integrated circuit memory group Symetrix Corp. He was formerly Chairman of Macquarie Goodman Management Limited, Managing Director of Formica Australia Limited, Managing Director of Lederle Pharmaceutical Limited, Director of American Cyanamid Company and has represented venture capital interests, as a director of various technology companies in Australia and SE Asia. He holds (directly or indirectly) no shares in the company.

Warren Thomas Brown

Mr Brown was appointed Director on 2 April 2009. He is a professional civil engineer, who spent the last fifteen years before retiring as head of his own consulting civil engineering practice. Prior to that he worked in heavy civil construction, mainly as head of companies he owned or in which he held a substantial interest. His areas of specialisation included dams (notably the Eungella Dam), power stations, roads and quarrying. He holds (directly and indirectly) 12,168,391 ordinary shares in the company.

Marcel Edward van de Velde

Mr van de Velde was appointed Director on 2 April 2009. He had a long career in the banking industry, and in 1986 established the Van de Velde Consulting Group, of which he is the Chairman. The Group offers strategic and financial advice to individuals, corporations, religious organisations, private schools and public benevolent institutions. He holds (directly and indirectly) 8,331,950 ordinary shares in the company.

COMPANY SECRETARY INFORMATION

Mr 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 Bachelor of Commerce (UWA) and is a practicing Chartered Accountant.

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 a secondary processing project utilizing them or through their licencing to third parties. As an integral part of these activities, the company has initiated mining activities on its two long held mining tenements located in the Pilbara district of Western Australia with a view to undertaking secondary processing of the lower grade ore fraction in a new plant proposed to be constructed at Port Hedland. The higher grade ore fraction generated by the mining will be exported with the revenues generated to be used in part to finance the domestic secondary processing operation.

FINANCIAL RESULTS

The loss from ordinary activities after income tax for the year ended 30 June 2009 was \$1,096,583 (2008 profit: \$35,530).

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.

Directors' Report (continued)

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 this Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year under review the only significant change in the state of the company's affairs was the acknowledgement on 30 June 2009 of the successful completion by the Auvex Resources Limited (Auvex) of its obligations under a farm in and joint venture agreement entered into in April 2008. (Refer financial statements note 8). This event is significant in that upon grant of final mining approvals (anticipated in Q3/2009) the 50:50 joint venture parties intend to commence full scale mining on the two mining tenements, which up until balance date were owned 100% by HiTec.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has arisen in the interval between the end of financial year and the date of this report certain items, transactions or events of a material or unusual nature, which are 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 2009. These transactions are:

- On 22 July 2009, the company announced that it had successfully completed a share placement to raise \$1.3m;
- On 31 July 2009, the company announced that it had contracted as agent for the first sale of ore stocks belonging to the Mesa Mining Joint Venture participants of which HiTec is itself a participant having a 50% interest; and
- On 7 August 2009, the company announced the details of a fully underwritten rights issue under which it expects to raise \$1.7m.

The directors believe that the cash flow generated from these transactions, and from further sales of stockpiled ore anticipated, will be sufficient to meet all the company's financial obligations over the period between balance date and the achievement of sustainable positive cash flow from joint venture mining obligations.

SHARE OPTIONS

No options were issued or exercised during the financial year and, at the date of this report, 18,550,000 unlisted options over shares in the company remained outstanding, being 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.

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.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use, despite strong reservations about the misguided purposes and overly bureaucratic nature of this legislation. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements. Disclosures may be required in future years if the Act remains in place in its present form.

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 15.

NON-AUDIT SERVICES

The external auditor did not perform any non-audit services during the years ended 30 June 2008 and 2009.

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



ALAN SCOTT
Managing Director
17 August 2009

Remuneration Report

For the year ended 30 June 2009

This report forms part of the Directors' Report and details the nature and amount of the remuneration of directors. The information contained herein has been subject to audit and is covered by the auditor's report set out on pages 13 and 14. As the board members alone are responsible for the governance of the company, there are no remuneration details for 'key management persons' or 'specified executives' included in this report.

REMUNERATION POLICY

The company's remuneration policy 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.

Other than where waived, 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 Employee Option Incentive Scheme ("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. However, whilst the market capitalisation of the company has recently increased, it remains 16% down on what it was 5 years prior to the date of this report and the company's share price during this period has, in the main, languished well below its current levels for the much of the time. Accordingly, the directors have considered this fact, together with the fact that no dividends have been paid or capital returned over the last five years and, while the causes were considered to be largely 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, the prior year or subsequent to the year end, to any officer of the company. Other than the Managing Director, who has performance based options, 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:

2009	Short-term Employee Benefits \$	Post Employment Benefits \$	Long-term Benefit \$	Share- based Payments \$	Total \$
N Coldham-Fussell	25,000	25,000	-	-	50,000
A Scott	181,336	93,664	5,212	-	280,212
MH Titley	22,932	2,068	-	-	25,000
DR Teplitzky	25,000	-	-	-	25,000
WT Brown	5,733	517	-	-	6,250
ME van de Velde	-	-	-	-	(fees waived)
P Blonk	8,027	723	-	-	8,750
	268,028	121,972	5,212	-	395,212

2008	Short-term Employee Benefits \$	Post Employment Benefits \$	Long-term Benefit \$	Share- based Payments \$	Total \$
N Coldham-Fussell	45,500	4,500	-	-	50,000
A Scott	230,000	45,000	10,327	-	285,327
MH Titley	22,932	2,068	-	-	25,000
DR Teplitzky	24,138	862	-	-	25,000
	322,570	52,430	10,327	-	385,327

Whilst the remuneration structure for directors seeks to emphasise payment for results through providing reward schemes such as the EOIS, no director has ever acquired a benefit under this scheme and no directors are currently holding options issued under it. 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. All income is fixed, with no performance-related components, and no cash bonuses were paid in the current or prior year.

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.

Mr RG Ledger, who provided company secretarial services on a contracting basis, received fees of \$34,320 (2008: \$31,060). There were no amounts paid to Mr Ledger for superannuation.

Corporate Governance Statement

For the year ended 30 June 2009

This statement outlines the main corporate governance practices that were in place throughout the financial year. These practices encompass the eight core principles and recommendations of the ASX Corporate Governance Council, unless otherwise noted.

BOARD STRUCTURE

The board structure and directors' information is as set out in the main body of the Directors' Report. None of the board committees for nomination, audit or remuneration as recommended by the ASX Corporate Governance Council were formed, as the directors considered their formation unhelpful, unnecessary and overly bureaucratic, given the size and nature of the company. All significant issues, whether of an operational or corporate governance nature, are considered and decided upon by the full board. For similar reasons, no formal code of conduct for directors, employees or contractors has been adopted.

The directors believe that this board structure is effective for the current range of duties of the board to be properly discharged. Once the company moves into an operational phase, a different board structure may be appropriate that includes directors with appropriate operational or specialist experience. The board as a whole considers director appointments based on the complementary skills, experience and expertise they bring to the company.

BOARD OPERATION

The board is responsible for the overall governance of the company including setting strategic direction, establishing goals for management, monitoring the achievement of these goals and ensuring that management has the resources required to complete its tasks. To these ends, the board has established a framework for the management of the company including an overall framework of internal control, risk management and ethical standards. The managing director has the responsibility for guiding management in effectively carrying out tasks and achieving objectives.

The board meets at a minimum on a bi-monthly basis, with a comprehensive set of board papers issued prior to the meeting for consideration and discussion. Informal exchanges between board members, as and when issues arise, occur frequently by both telephone and email. Direct interaction between directors and all staff or contractors is encouraged to ensure directors are fully informed. The independent directors are aware of their rights to seek independent professional advice at the company's expense when they deem this necessary.

FINANCIAL COMPLIANCE

Financial statements are submitted to the board six monthly for review and approval. The veracity of these financial statements is attested to in writing by the Managing Director. The external auditor attends board meetings when required to discuss any accounting and auditing issues and to address issues raised by directors. A representative of the external auditor also routinely attends the AGM, to answer shareholder questions about conduct of the audit and his report thereon. The financial compliance responsibilities of the board include:

- ensuring that an appropriate internal control system is established and maintained;
- ensuring that the accounting and reporting systems can provide the requisite information on an accurate and timely basis;
- nominating the external auditor and liaising periodically with the audit partner to ensure that the annual audit and half-year review are conducted in an effective manner;
- 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
- monitoring compliance with the legislative or regulatory requirements of the various parties that oversee corporate existence including, the Australian Securities and Investment Commission, the Australian Stock Exchange and the Australian Taxation Office.

Corporate Governance Statement (continued)

SHARE TRADING POLICY

To ensure that ethical standards are upheld and that informed parties 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 employees and contractors concerning dealings in company securities. This policy is as follows:

A director or employee or contractor may only purchase, transfer, or otherwise deal in securities of the company during a thirty day period commencing three days after:

- the release of an annual report to the ASX;*
- the release of a half yearly financial report to the ASX;*
- the release of a quarterly report to the ASX;*
- the release of a prospectus; or*
- the holding of an annual general meeting.*

This 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, employee or contractor is required to satisfy themselves that any dealings in securities of the company they undertake is not in breach of the Corporations Act 2001.

DISCLOSURE POLICY

The board is committed to timely release, by way of ASX announcements, of factual and balanced information concerning price sensitive aspects of the company's activities to the extent that such release does not prejudice the company's ongoing negotiations with third parties. The company website is updated when releases to the ASX are made and shareholders encouraged to communicate via phone, email, letter or website blog. In addition, an up to date version of the corporate governance statement is maintained on the company's website.

RISK MANAGEMENT

Risk identification and risk amelioration strategies are considered an inalienable part of every director's daily decision-making process and this behaviour is encouraged in every employee or contractor. Where incidences of risk are identified, they are discussed by the board and appropriate action agreed. The Managing Director attests to the board biannually, at the time of presenting financial statements, upon the effectiveness of the company's management of its material business risks and that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

REMUNERATION REVIEW AND PERFORMANCE ASSESSMENT

The Board discusses and agrees the remuneration of directors periodically and is apprised of changes in the remuneration packages of employees and contractors as they occur. Information on executive and non-executive remuneration, as required by the Corporations Act 2001, can be found in the Remuneration Report which forms part of this Annual Report. Whilst the information disclosed therein, indicates that the company's present remuneration packages are in conformity with the principles espoused by the ASX Corporate Governance Council, this conformity does not necessarily indicate the directors' agreement with those principles.

The board has not adopted a formal process for an annual self-assessment of its collective performance and the performance of individual directors. The directors believe that effective assessment should be continuous rather than annual, and informal rather than formal.

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the 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.
3. The remuneration disclosures included in pages 8 to 9 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



ALAN SCOTT
Managing Director
17 August 2009



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HITEC ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of HiTec Energy Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

BDO Kendalls is a national association of
separate partnerships and entities.
Liability limited by a scheme approved under
Professional Standards Legislation.

**Auditor's Opinion**

In our opinion:

- (a) the financial report of HiTec Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.


Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of HiTec Energy Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls


Glyn O'Brien
Director

Signed at Perth this 17th day of August 2009



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

17th August 2009

The Directors
HiTec Energy Limited
Level 1, 30 Richardson St
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF HITEC ENERGY LIMITED

As lead auditor of HiTec Energy Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Glyn O'Brien
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Signed at Perth, Western Australia

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.

Income Statement

For the year ended 30 June 2009

		2009	2008
	Note	\$	\$
Revenue from continuing operations			
Consultancy fees		79,850	-
Interest		62,487	69,466
Other Income			
EMDG Grant		9,538	-
Recoupment of past expenditure	8	-	1,027,229
Rent		9,900	13,200
Sundry income		1,030	2,280
		162,805	1,112,175
Expenditure			
Administration		336,479	291,992
Business development		138,884	140,597
Depreciation	4	6,489	6,926
Employee benefits		334,232	401,634
Loss on sale of plant & equipment	4	1,892	292
Patenting		39,925	9,931
Research & development		115,201	102,900
Superannuation		129,472	57,386
Tenements		215,842	125,311
		1,318,416	1,136,969
Loss before income tax		(1,155,611)	(24,794)
Current income tax credit	9	59,028	60,324
(Loss)/profit for the year		(1,096,583)	35,530
Representing:			
Basic (loss)/profit per share (cents)	16	(0.2)	0.0
Diluted (loss)/profit per share (cents)	16	(0.2)	0.0

Balance Sheet

As at 30 June 2009

	Note	<u>2009</u>	<u>2008</u>
		\$	\$
Current assets			
Cash & cash equivalents	6	668,762	1,406,791
Trade & other receivables	7	46,456	44,775
Inventories	5	149	895
Prepayments		20,960	23,788
		<u>736,327</u>	<u>1,476,249</u>
Non-current assets			
Trade & other receivables	7	32,806	43,578
Plant & equipment	4	14,920	14,187
		<u>47,726</u>	<u>57,765</u>
Total assets		<u>784,053</u>	<u>1,534,014</u>
Current liabilities			
Trade & other payables		382,014	43,700
Provision for long service leave		48,967	9,737
		<u>430,981</u>	<u>53,437</u>
Non-current liabilities			
Provision for long service leave		-	30,922
Total liabilities		<u>430,981</u>	<u>84,359</u>
Net assets		<u>353,072</u>	<u>1,449,655</u>
Equity			
Contributed equity	2	31,945,649	31,945,649
Reserves	3	-	24,421
Accumulated losses		(31,592,577)	(30,520,415)
Net equity		<u>353,072</u>	<u>1,449,655</u>

Statement of Changes in Equity

For the year ended 30 June 2009

	Share Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2007	31,945,649	(30,569,429)	37,905	1,414,125
Profit for the year	-	35,530	-	35,530
Net income/(expense) recognised directly in equity	-	-	-	-
Total recognised income & expense for the year	-	35,530	-	35,530
Transfer of previously booked cost for options lapsed during year	-	13,484	(13,484)	-
Balance at 30 June 2008	31,945,649	(30,520,415)	24,421	1,449,655
Balance at 1 July 2008	31,945,649	(30,520,415)	24,421	1,449,655
Loss for the year	-	(1,096,583)	-	(1,096,583)
Net income/(expense) recognised directly in equity	-	-	-	-
Total recognised income & expense for the year	-	(1,096,583)	-	(1,096,583)
Transfer of previously booked cost for options lapsed during year	-	24,421	(24,421)	-
Balance at 30 June 2009	31,945,649	(31,592,577)	-	353,072

Cash Flow Statement

For the year ended 30 June 2009

		2009	2008
	Note	\$	\$
Cash inflow (outflow) from operating activities			
Consultancy fees		79,850	-
Recoupment of past expenditures		-	1,027,229
Payments to suppliers and employees		(949,718)	(1,142,692)
Interest received		62,487	69,466
Rentals received		9,900	13,200
R&D - Export market development grant		9,538	-
R&D - Taxation concession		59,028	60,324
	23	<u>(728,915)</u>	<u>27,527</u>
Cash inflow (outflow) from investing activities			
Purchase of plant & equipment		(9,114)	(1,748)
		<u>(9,114)</u>	<u>(1,748)</u>
Increase (decrease) in cash & cash equivalents		(738,029)	25,779
Cash & cash equivalents at beginning of year		<u>1,406,791</u>	<u>1,381,012</u>
Cash & cash equivalents at end of year	6	<u>668,762</u>	<u>1,406,791</u>

Notes to Financial Statements

For the year ended 30 June 2009

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 that there are no significant estimates or judgements involved in applying the company's adopted accounting policies, which could, if proved wrong, result in a material misstatement in these financial statements.

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, tenement expenditure, including exploration costs, of \$215,842, research & development expenditure of \$115,201 and patenting expenditure of \$39,925 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 any provision is adjusted annually to reflect the change in liability between reporting dates. Long service provisions for employees with in excess of seven years service are included in current liabilities irrespective of when they are expected to be paid out.

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 2009

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.

k) Revenue recognition

Consultancy fees and interest are recognised in the period earned.

l) Joint Ventures

The proportionate interests in assets, liabilities, expenses and revenues have been incorporated in the financial statements under their appropriate headings. Refer to Note 8 for further details.

Notes to Financial Statements (continued)

For the year ended 30 June 2009

Note 2 Contributed equity

At the beginning and end of the financial years ending 30 June 2008 and 30 June 2009 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.

Note 3 Reserves

During the year, the previously booked cost of lapsed options of \$24,421 (2008: \$13,484) was credited back to accumulated losses. This transfer brings the balance on the option reserve to nil.

Note 4 Plant & equipment

	<u>2009</u>	<u>2008</u>
	\$	\$
Office furniture & equipment - at cost	126,929	177,281
Accumulated depreciation	(112,009)	(163,094)
	<u>14,920</u>	<u>14,187</u>

During the year, plant and equipment was disposed of for no value realising a loss of \$1,892.

<u>Movements in plant and equipment during the year:</u>	\$	\$
Written down value at 1 July	14,187	19,657
Additions	9,114	1,748
Disposals	(1,892)	(292)
Depreciation expense	(6,489)	(6,926)
Written down value at 30 June	<u>14,920</u>	<u>14,187</u>

Note 5 Inventories

	<u>2009</u>	<u>2008</u>
	\$	\$
Batteries	149	895
Manganese oxide ores (HiTec 50% interest)		
480 tonnes of lump ore grading 49.0%Mn & 2.0%Fe	-	-
15,886 tonnes of lump ore grading 44.1%Mn & 12.4%Fe	-	-
7,358 tonnes of lump ore grading 40.2%Mn & 14.7%Fe	-	-
10,444 tonnes of lump ore grading 37.3%Mn & 16.1%Fe	-	-
4,224 tonnes of lump ore grading 33.0%Mn & 22.0%Fe	-	-
5,000 tonnes of fines ore grading 30.0%Mn & 25.0%Fe (held for secondary processing)	-	-
	<u>149</u>	<u>895</u>

All ore inventories held at balance date have the potential to be sold or processed thus yielding substantial future cash flow for the Company. They were acquired for nil cost under the farm-in and joint venture arrangements with Auvex (refer note 8). Interim approvals were granted to the parties under which trial shipments of ore up to a maximum of 60,000 tonnes may be made. HiTec has a 50% undivided interest in the ores stockpiled at site ready for sale and has included this 50% interest in inventories at nil cost

Notes to Financial Statements (continued)

For the year ended 30 June 2009

Note 6 Cash & cash equivalents	2009	2008
	\$	\$
Cash at bank and in hand	68,762	66,778
Short term deposits	600,000	1,340,013
	668,762	1,406,791

Note 7 Receivables	2009	2008
	\$	\$
Current: Other receivables	46,456	44,775
Non-current: Performance bonds	32,806	43,578
	79,262	88,353

No receivables are impaired, however current receivables amounting to \$31,473 are being held for contra against outstanding payables during August.

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. By 30 June 2009 Auvex was deemed to have met its commitments to HiTec and an application to transfer a 50% interest in the relevant tenements was lodged early in July 2009.

In return for ceding the 50% interest in the tenements under the farm-in arrangements, HiTec acquired a \$1.0m option fee on signing, plus a 50% undivided joint venture interest in:

- the knowledge gleaned from a \$1.0m exploration programme;
- fixed assets having an installed cost of \$0.9m;
- tenement improvements and performance bonds having a cost of \$0.65m; and
- saleable ore stocks having a cost of \$4.7m.

Auvex and HiTec have since balance date concluded an agency agreement under which HiTec will sell the above ore on behalf of the two joint venture participants on an undivided, but several basis. The participants expect to negotiate and sign formal joint venture and marketing agency agreements in the near term, under which Auvex would be the manager of the production joint venture and HiTec the seller of all ore production as agent for the participants on an undivided, but several basis.

Note 9 Income tax

A prima facie income tax benefit of \$328,975 (2008: income tax expense of \$10,659), calculated at 30% of the operating loss (profit) for the year has not been brought to account. The current income tax credit in each financial year results from treating research & development tax concessions actually received in cash, as current tax credits. (Refer note 1)

At 30 June 2009, the company had estimated carry forward tax losses of \$14,847,216 (2008: \$14,696,241 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. It is possible, although not certain, that the company may begin to realise these tax loss benefits over the next few financial years. 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 2009

Note 10 Intangible assets

Expenditure on intangible assets such as mining tenement costs, 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 tenement development, exploring, researching and the like, at the end of the 2008 and 2009 financial years the company held the following tenement and patent assets that the directors believe are of economic value to the company:

- Tenements held, or to be held if granted, 100%:
 - G 45/265 Boodarie general purpose lease held as future processing plant site.
 - ELA 46/816 66 blocks to north of Sunday Hill and west of Woodie Woodie mine
- Tenements held, or to be held if granted, to extent of a 50% joint venture interest:
 - ML 46/237 Sunday Hill mining lease containing manganese resources.
 - ML 46/238 Ant Hill mining lease containing manganese resources.
 - ELA 46/771 30 blocks surrounding Ant Hill and Sunday Hill
 - ELA 46/772 17 blocks to south of Sunday Hill
 - MLA 46/67 Corridor covering mine haul road from Ant Hill to Nullagine
- Patents or patent applications held, or to be held if granted, 100%:
 - "Hydrometallurgical Processing of Manganese Containing Materials" (Australia, India, South Africa, United States and China.)
 - "Improved Hydrometallurgical Processing of Manganese Containing Materials" (Australia and China.)
 - "A Method for Producing a Micronutrient Fertilizer" (Australia, International)

Note 11 Key management personnel disclosures

For HiTec, the remuneration related disclosures required by AASB124 in the Financial Statements are identical to those required by the Corporations Act 2001, because there are no key management personnel other than the directors. Details of directors' compensation, as set out in the following two tables, are therefore the same as those disclosed in the Remuneration Report.

2009	Short-term employee benefits \$	Post employment benefits \$	Long-term benefit \$	Total \$
N Coldham-Fussell	25,000	25,000	-	50,000
A Scott	181,336	93,664	5,212	280,212
MH Titley	22,932	2,068	-	25,000
DR Teplitzky	25,000	-	-	25,000
WT Brown	5,733	517	-	6,250
<i>(2 April to 30 June 2009)</i>				
ME van de Velde	-		-	<i>(fees waived)</i>
<i>(2 April to 30 June 2009)</i>				
P Blonk	8,027	723	-	8,750
<i>(24 October 2008 to 2 March 2009)</i>				
	268,028	121,972	5,212	395,212

Notes to Financial Statements (continued)

For the year ended 30 June 2009

Note 11 Key management personnel disclosures (continued)

2008	Short-term employee benefits \$	Post employment benefits \$	Long-term benefit \$	Total \$
N Coldham-Fussell	45,500	4,500	-	50,000
A Scott	230,000	45,000	10,327	285,327
MH Titley	22,932	2,068	-	25,000
DR Teplitzky	24,138	862	-	25,000
	<u>322,570</u>	<u>52,430</u>	<u>10,327</u>	<u>385,327</u>

Details of shares and options in the company held by directors, directly or indirectly at balance date and movements in holdings during the year are as follows:

Share and option security holdings	Balance at 30 June 2008	Acquired or granted during year	Disposed or lapsed during year	Balance at 30 June 2009
<u>Shares:</u>		-	-	
N Coldham-Fussell	2,330,001	-	-	2,330,001
A Scott	924,921	-	-	924,921
MH Titley	10,500,000	-	6,855,600	3,644,400
DR Teplitzky	-	-	-	-
WT Brown	11,210,891	957,500	-	12,168,391
ME van de Velde	7,431,950	900,000	-	8,331,950
<u>Options:</u>				
A Scott	1,500,000	-	1,500,000	-

(NB: Apart from the lapsed options, none of the company's securities held were acquired as part of directors' compensation arrangements)

Note 12 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 a director at an exercise price of 7.6¢, have expired. At balance date there were no employee share options remaining outstanding.

Note 13 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 14 Significant estimates or judgements

The company has made certain estimates in the determining the loss for the current year that arise from ongoing negotiations with other parties. On the basis that the amounts involved are still being negotiated and not considered reliable at the date of this report, no further information has been disclosed as to the basis for the estimates taken up, nor of the likelihood by which the estimates may be over-expensed when final resolution is achieved in the 2010 financial year.

Notes to Financial Statements (continued)

For the year ended 30 June 2009

Note 15 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 16 Earnings per share

	2009 \$	2008 \$
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	<u>447,739,284</u>	<u>459,539,284</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.

Note 17 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 18 Matters subsequent to the end of the financial year

There has arisen in the interval between the end of financial year and the date of this report certain items, transactions or events of a material or unusual nature, which are 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 2009. These transactions are:

- On 22 July 2009, the company announced that it had successfully completed a share placement to raise \$1.3m;
- On 31 July 2009, the company announced that it had contracted as agent for the first sale of ore stocks belonging to the Mesa Mining Joint Venture participants of which HiTec is itself a participant having a 50% interest; and
- On 7 August 2009, the company announced the details of a fully underwritten rights issue under which it expects to raise \$1.7m.

The directors believe that the cash flow generated from these transactions, and from further sales of stockpiled ore anticipated, will be sufficient to meet all the company's financial obligations over the period between balance date and the achievement of sustainable positive cash flow from joint venture mining obligations.

Notes to Financial Statements (continued)

For the year ended 30 June 2009

Note 19 Lease commitments

Mining Tenements

The company has obligations to perform exploration work on its mining tenements in accordance with the Department of Industry and Resources expenditure requirements. Two bank Guarantee facilities totalling \$85,500 exist in respect of these mining lease obligations, which were put in place under the farm-in and joint venture arrangements with Auvex. Two deposits totalling \$10,000 previously put in place by Hitec were refunded during the year.

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 transfer of a 50% interest to Auvex. Spending by Auvex during the year to 30 June 2009 has well exceeded the obligations noted above.

Office Rental

An office rental lease exists, which expires on 28 February 2012. Monthly rent is payable in advance and a bank guarantee facility is in place for \$32,806 (2007: \$31,095), backed by a term deposit of equal amount exists in respect of the tenancy obligation. Annual commitments under the lease are subject to rent review proceedings, and are likely to exceed the 2008 annual commitment amount of \$46,482.

The terms of the office rental lease include an adjustment to market value in years one and three, and for year two, an 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 estimated at \$52,000 (2008: \$30,988), between 12 months and 5 years \$100,000 (2008: \$nil) and greater than 5 years \$nil (2008: \$nil).

Port Facilities

On 30 June 2009 the company signed the Utah Point Facility Agreement under which it acquired certain rights to stockpile ore at the new Utah Point ore stockyard, presently under construction for the Port Hedland Port Authority, and to export the stockpiled ore through the new ore loader also presently under construction.

Under this agreement, HiTec paid \$0.1m on 1 July 2009 and is due to pay the balance owing of \$0.9m on 30 September 2009. The payments made under this agreement are in the nature of advance load-out charges that may be recovered, with accrued interest, against ore exports through the new berth. The commissioning of the new berth and stockyard facilities is presently expected to be end Q2/2010.

The agreement also provides for annual lease rentals for the stockyard area that is dedicated to HiTec use of \$33,600 per annum, from three months prior to the date of commissioning of the stockyard until the expiry of the lease term, which is initially for 5 years. Minimum amounts estimated to be payable under the lease within 12 months are \$nil (2008: \$nil), between 12 months and 5 years \$134,400 (2008: \$nil) and greater than 5 years \$nil (2008: \$nil).

Notes to Financial Statements (continued)

For the year ended 30 June 2009

Note 20 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 1.5% was achieved (2008: 1.9%) 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 5.8% was achieved (2008: 8.0% on fixed term deposits).

As at 30 June 2009, if interest rates had changed by +/-100 basis points from the year-end rates and all other variables held constant, post-tax loss for the year would be \$12,059 higher/lower (2008: \$9,416 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 2009

Note 21 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 capitalisation 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 end. As is appropriate at this stage, the company is funded entirely by equity.

As it moves forward to commercialise 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.

During the year there were no issuances, repurchases or repayments of debt or equity securities. The remaining 1,500,000 options outstanding under the Employee Option Incentive Scheme at 30 June 2008 expired during the half year on 24 November 2008.

Note 22 Auditor's remuneration

	2009	2008
	\$	\$
Remuneration of BDO Kendalls Audit & Assurance (WA) Pty Ltd for:		
Auditing - y/e 30 June 2009	21,087	-
- y/e 30 June 2008	655	20,033
- y/e 30 June 2007	-	566
Other services	-	-
	21,742	20,599

Note 23 Reconciliation of net cash used in operating activities with profit after income tax

	2009	2008
	\$	\$
Profit (loss) after income tax	(1,096,583)	35,530
<u>Items classified as investing/financing activities</u>		
Loss on disposal of assets	1,892	292
<u>Non-cash items</u>		
Depreciation	6,489	6,926
<u>Changes in assets and liabilities</u>		
(Increase) decrease in inventories	746	(895)
(Increase) decrease in receivables	9,091	(34,310)
(Increase) decrease in prepayments	2,828	1,835
Increase (decrease) in payables and accruals	338,314	(9,432)
Increase (decrease) in provisions	8,308	27,581
Net cash inflow (outflow) from operations	(728,915)	27,527

Additional Information

The additional information, as required by the Listing Rules of the Australian Stock Exchange Limited, has been extracted from the share register as of 11 August 2009:

1. DISTRIBUTION OF SHAREHOLDERS

		No of Shareholders
1	- 1,000	101
1,001	- 5,000	367
5,001	- 10,000	458
10,001	- 100,000	1,955
100,001	over	829
		3,710

2. MARKETABLE PARCEL

A marketable parcel is a holding with a value of at least \$500 at the prevailing share price as at 11 August 2009. As at this date, there are 1,116 shareholders with holdings of a value that is 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 11 August 2009	Holding	Percent
Perpetual Custodians Limited	17,986,332	3.51
Taycol Nominees Pty Ltd	12,750,000	2.49
Basildene Pty Ltd <Warren Brown Super Fund A/c>	11,918,391	2.32
Van de Velde Consulting Group Ltd <Van de Velde Super Fund A/c>	8,191,950	1.60
UBS Nominees Pty Ltd <TP00014 15 A/c>	7,819,580	1.53
Mr James Howard Nigel Smalley	6,000,000	1.17
Pabu Pty Ltd <The Jade Unit A/c>	5,753,934	1.12
National Nominees Limited	5,271,808	1.03
Mr Roy Kendall	5,000,000	0.98
Apnea Holdings Pty Ltd <Kelly Family A/c>	5,000,000	0.98
Mr Timothy James Flavel <The Flavel Investments A/c>	5,000,000	0.98
Cardissa Pty Ltd	5,000,000	0.98
Valadon Pty Ltd	4,551,493	0.89
Mr Peter Fabian Hellings & Mrs Jacqueline Kim Gun Hellings <Box Super Fund A/c>	4,300,000	0.84
Mrs Roslyn Una Brown	3,995,834	0.78
HSBC Custody Nominees (Australia) Limited	3,958,624	0.77
Stanley Paulo	3,800,000	0.74
David Rivett Pty Ltd <Super Fund A/c>	3,600,000	0.70
Kailis Consolidated Pty Ltd	3,500,000	0.68
Organisational Change Consultants Pty Ltd<Harney Personal S/F A/c>	3,465,201	0.68

The Percentage of the total holding held by the twenty largest holders of ordinary shares was 24.7% (2008: 21.8%).

In challenge we find opportunity.....

As the world turns more and more to truly sustainable production technologies, which are both economically sound and low impact on the environment, patented processes such as those developed by HiTec are becoming increasingly relevant and increasingly in demand.

HiTec's sulfur dioxide leach process provides economic advantage as it can efficiently unlock the manganese contained in low grade manganese dioxide ores that is otherwise uneconomic to extract. This attribute of our process is particularly of relevance in times when higher grade manganese ores are in short supply and are highly priced, or when their availability is undependable, as conditions such as these can be untenable for a secondary processor.

The manganese extraction process that we employ is hydrometallurgical, as compared with the conventional pyrometallurgical process mainly employed today to produce high value manganese electrolytic products. It is this aspect of our process that provides very strong environmental advantages including:

- a reduction in energy consumed to less than half;
- the total elimination of carbon dioxide emissions;
- the ability to eliminate virtually all particulate and metal ion emissions from the process; and
- the ability to create a valuable and environmentally friendly micro nutrient fertilizer from what would conventionally be plant wastes.

When implemented in conjunction with world class environmental practices in all other areas of operations, the result can be a process plant that can responsibly coexist in its local community.

While debate in our communities will continue to rage as to the relative merits of one environmental priority over another, no logically inclined person can argue with the merits of approaches that seek to efficiently utilise the available resources of a country or region. The reality is that resources such as low grade manganese oxide ores will be used. The challenge is to see them used in a way that creates strong economic value today; without adversely impacting on the environment and thereby creating liabilities for future generations to shoulder.

It is with this objective clearly in mind that we see an opportunity for HiTec to prosper and to do so whilst providing real value to its project partners and to the communities in which they work.

www.hitec-energy.com.au