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Intec seeks \$3m for development work

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RESOURCE sector technology company Intec has said it will require an additional \$3 million in funding in the second half of 2003 to cover ongoing working capital and project development requirements.

At the beginning of the month Intec had \$1.25 million in cash, which was in line with the management budget in its prospectus. It said it anticipates capital expenditure to be nearly \$500,000 focussing on the copper electrowinning cell test program, and technical and commercial development work on its refractory gold process (IRGP).

"It costs money to develop technology and yet the lead times through to positive cash flow are just enormous," Intec managing director and CEO Philip Wood told *Mine Supply Today*.

Intec said it is considering various financing options to raise the funds later in the year. Despite attracting considerable capital in the past, including over \$35 million in government funding, Intec has struggled as a technology company in a post technology boom market. This is particularly evident in Intec's share price which has slowly dropped back to 5c.



Intec managing director and chief executive Philip Wood

"The market environment is extremely poor for this type of capital raising," Wood said.

Intec listed a year ago with an oversubscribed share offering. On its first day of trading Intec listed at a premium, reaching 24c, but closed at a slight discount of 18c.

The company's major shareholder is Canadian-based gold and copper outfit Ivanhoe, which remains one of Intec's biggest supporters.

Ivanhoe and Intec have reached an agreement to form a 50:50 joint venture that will provide \$1 million funding by Ivanhoe to develop IRGP further. The joint venture will establish a continuous pilot plant in Sydney to conduct paid testwork on refractory gold concentrates submitted from projects around the world. The pilot plant is currently on the drawing board with ore treatment trials expected by the fourth quarter this year.

"The main test is to recover the maximum amount of gold without the use of cyanide, from the refractory concentrate in the minimum amount of leaching time, which generally speaking is about 20 hours," Wood said.

"Our strategy is to be very project oriented. We would like to apply our technology to a given project within Australia or elsewhere, in return for obtaining a project interest."

IRGP testwork to date has focused on the double refractory gold concentrate from the Bakyrchick mine in Kazakhstan which is majority owned by Ivanhoe. Wood was in Kazakhstan last week, and said the ore produced from Bakyrchick was metallurgically challenging.

Intec has previously concentrated on the base metals market, but has felt the indirect effects of a market slump which has led to production cutbacks at a number of mines. These cutbacks have resulted in reduced base metals concentrates being supplied to the world's smelters and refineries. The lack of feed for smelters and refineries has meant more competitive pricing, which has made Intec's attempt to enter this market more difficult.

"The environment for base metals processing has deteriorated significantly worldwide with extremely low copper treatment and refining charges. In that low environment it is unwise for a small company to go head to head with extremely competitive smelting costs," Wood said.

"Intec should use its technology to solve metallurgical problems that already exist amongst producers."

One of the most obvious ones, according to Wood, is the need for base metals producers to produce smelter grade concentrate, which is high grade and low in contaminants.

Intec has not been completely dissuaded from its foray in base metals, and has instead pursued "soft entries". Intec has been exploiting the niche advantages of particular geopolitical locations such as tariff barriers, regional political support, solving existing metallurgical problems and by becoming more integrated into the downstream product fabrication business.

The industry has responded well and Intec said it has already received numerous enquiries from around the world for paid testwork to be conducted on various polymetallic concentrates.

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