Intec Ltd ABN 25 001 150 849

Superior and Sustainable Metals Production

Annual Report 2003

Contents

Pictures on this page and inside back cover show Intec's office and laboratory premises at the Department of Chemical Engineering at the University of Sydney.

Intec Ltd

ASX Code: INL
ABN 25 001 150 849

Superior and Sustainable Metals Production

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26 September 2003

Dear Shareholders

Letter from the Chairman and Managing Director and Chief Executive Officer

This is Intec Ltd's second Annual Report since listing on the Australian Stock Exchange and includes its financial statements for the year to 30 June 2003.

The Company's share price was generally very weak during the last financial year on low volume trading, though we are encouraged that it has recently recovered somewhat on higher volume trading. While it is inherently difficult to value technologies (such as the Intec Processes) that are not yet commercialised, it remains our view that the Company's current market capitalisation does not adequately reflect the value of its technologies and commercial prospects. Looking forward, we must demonstrate this convincingly to the minerals processing industry and the financial markets.

The two principal operational developments during the past year have been:

1. the successful design and operation of the new copper electrowinning cell; and
2. the development of the Intec Gold Process (IGP).

These achievements are described in more detail in the Prospectus dated 7 August 2003 that you have already received.

Additionally Orian Holding Corp., wholly-owned by Ivanhoe Mines Ltd., is providing A$500,000 towards construction of the IGP demonstration plant and additional funding for the commissioning of this plant. In return, Orian is receiving a worldwide IGP licence on favourable terms. Intec continues to seek to leverage the economic and environmental advantages of the Intec Processes into equity interests in resources projects where its technology adds value.

At the time of writing Intec has just successfully completed its fully underwritten A$2.62 million Entitlements Issue, the proceeds of which will be used principally to market and commercialise the IGP and in the commercial development of Intec's other proprietary technologies. Orian, as priority sub-underwriter on behalf of the Ivanhoe group, acquired the very small shortfall (in addition to taking up its own Entitlements) and now owns 23.2% of the Company's issued shares. Therefore, we welcome to the Intec Board Mr Ian Ross, who is the Sydney-based representative of the Ivanhoe group with over thirty years' career experience in the global financial industry, especially with the Ivanhoe group in the People's Republic of China.

We believe that the future for your Company remains very bright and look forward to the opportunity to discuss this with you further at Intec's Annual General Meeting to be held on Wednesday 26 November 2003.

Yours faithfully

Kenneth J Severs

Kenneth J Severs
Chairman

Philip R Wood

Philip R Wood
Managing Director and Chief Executive Officer

Review of operations

Technical report

Introduction

During the last twelve months, technical activity has primarily focused on development of a process to treat the Bakyrchik double-refractory gold concentrate, 70% owned by Ivanhoe Mines Ltd. This work has resulted in the lodgement of two provisional patents for the Intec Gold Process and will shortly progress to a small-scale demonstration plant.

Phase 2 of the electrowinning cell program has progressed through construction and commissioning stages leading to a number of mechanical modifications to the cathode wiper system. A final test run was successfully concluded in August 2003, with over two tonnes of copper dendrites washed, dried, compacted and shipped to Rautomead's copper wirerod pilot plant facility in Dundee, Scotland, where it will be upward vertically cast into wirerod. A provisional patent was lodged in October 2002, with final specifications to be lodged in October 2003.

Other activities have encompassed all aspects of Intec technology, resulting in the development of the Intec Nickel Process and the development and provisional patenting of a process to treat EAF dust and other zinc-bearing secondary materials.

The Intec Gold Process (IGP)

The IGP was developed to address gold extraction problems encountered in double- and single-refractory ores and concentrates. The fundamental concept resides in the oxidation of the sulphide minerals that trap the gold, which principally include arsenopyrite and pyrite, by adapting the halide-based chemistry of the Intec Copper Process.

Double-refractory Gold Process Development

The technical development of the IGP commenced on gold concentrate from Ivanhoe's 70%-owned Bakyrchik mine in Kazakhstan. The Bakyrchik orebody is double-refractory in that a significant portion of the gold is contained in solid solution within both arsenopyrite and pyrite and in addition the ore has a high free carbon content which severely reduces the effectiveness of conventional leaching technology. The laboratory program on the Bakyrchik gold concentrate has been highly successful, leading to the lodgement of a provisional patent on 31 December 2002. Development will continue during the IGP demonstration plant program scheduled for early 2004.

Single-refractory Gold Process Development

In conjunction with the Bakyrchik work, development of a simple single-step version of the IGP to treat single-refractory ores and concentrates has progressed, with the lodgement of a separate provisional patent on 20 June 2003. Concentrates from a number of projects, both in Australia and overseas, have been submitted for testing.

IGP Demonstration Plant

H G Engineering was commissioned to produce a set of process flow diagrams (PFDs) from the basic flowsheet developed to treat the Bakyrchik gold concentrate. These PFDs have been used to develop an engineering package for a small-scale demonstration plant to be operated in Sydney at Metcon Laboratories, wholly-owned by Ammtec Limited. Construction is expected to be complete by the end of 2003.

The Intec Copper Process (ICP)

During the year, the development of the ICP focussed on the electrowinning cell project, laboratory testwork on various concentrates and additional refinement of several aspects of the process.

Copper Electrowinning (EW) Cell Project

The EW cell test facility was constructed and commissioned within the Department of Chemical Engineering at the University of Sydney between November 2002 and February 2003. After the completion of a refurbishment program in May 2003, the EW cell operated essentially without fault in achieving all design and performance objectives. It produced 3,500 kg of dendrites most of which were then washed and dried prior to compacting into briquettes.

Review of operations (continued)

However, Intec had been unsuccessful in securing external funding for the EW cell project, including from licensees of the Intec Copper Process. Consequently Intec funded the full costs of the EW cell project itself. As a result the intellectual property associated with the EW cell project will only be made available at this stage to those licensees who have continued in other ways to provide commercial support to Intec.

Independent Expert Review

Mr Phil Gabb of Mendip Metallurgy of Bristol, UK, was engaged to provide an independent expert assessment of the EW cell performance and attended for two one-week periods during commissioning and after the refurbishment program. An excerpt from the Executive Summary of his final report follows.

"Copper dislodgement from the single commercial-size cathode that was inadequate at the time of the first visit is now virtually perfect over 7 days of power-on operation with the new wiper assembly. There is no evidence of any longer-term tendency to form an adherent copper skin that can not be removed by the wiping action, so this major feature of Intec cell technology is considered proven for further application in the next phase of process demonstration."

Rautomead Wirerod Program

In the context of the EW cell project, Intec and Rautomead International Ltd have agreed to share the cost of the production of 2 tonnes of oxygen-free 8 mm diameter wirerod. Two tonnes of dendrites were recovered during the EW cell project and then washed, dried and compacted prior to shipment to Dundee, Scotland for melting and casting in the Rautomead pilot plant.

Polish Low-Grade Copper Concentrate

A low-grade copper concentrate containing significant levels of silver, lead and cobalt from the Lubin Mine, owned by KGHM of Poland, was trial treated in an extensive laboratory program encompassing all unit operations of a modified copper process flowsheet. The mineral composition of Lubin concentrate allowed a two-stage leach to be used (rather than the typical three-stage), although the high lead content of the concentrate necessitated the addition of a lead recovery circuit.

Subsequent simulation of purification, electrowinning and lead recovery circuits successfully demonstrated the ability to recover a range of products and by-products. The purity of the electro-won copper product was better than 99.99. The purity of electro-won lead was 99.76%.

NSW Copper/Gold Concentrate

Intec carried out a laboratory leach trial on a NSW copper/gold concentrate during 2001, achieving very high copper extraction, but less than ideal gold extraction. The project owner has recently commissioned a new trial with the focus on gold extraction, which is expected to improve as a result of the knowledge gained from the development of the IGP. This work is currently in progress.

Nippon Mining and Metals Demonstration Plant

During January 2003, the NMM facilities in Hitachi, Japan were visited by Intec to view the ICP demonstration plant which was then in the process of being commissioned. The plant has a nominal capacity of 150kg of copper per day and had been built to a very high standard.

At the time of viewing, all sections of the plant had been successfully commissioned separately, but concurrent operation of all sections in continuous mode had not been attempted. A one-day presentation was made to all technical staff working on the plant to ensure that the operating philosophy for the plant was understood. NMM has to date not made available an update of its ICP demonstration plant operations.

Major Industrial Project Placement Scheme (MIPPS) Program

This scheme provides outstanding students the opportunity to spend 6 months full-time in industry undertaking high-level investigative projects. The subject of the MIPPS program sponsored by Intec was the treatment of the ICP residue in order to add value and/or reduce the disposal cost. A flotation process was successfully developed to produce an elemental sulphur by-product that may find a use in the production of agricultural fertiliser.

Review of operations (continued)

The Intec Zinc Process (IZP)

During the year, development of the IZP progressed in three areas.

Australian Research Council (ARC) "Linkage" Project

The ARC administers research grants under the "Linkage" scheme that are designed to encourage and develop long-term strategic research alliances between higher education institutions and industry. In conjunction with the Department of Chemical Engineering at the University of Sydney, Intec has received an ARC "Linkage" grant to define the reactions that control the IZP purification chemistry. The Department is internationally recognised for its Process Systems Engineering capability – modelling, design, control and optimisation. The project began in early 2003 and will run for two years.

EAF Dust Project

A sample of EAF dust from the Smorgon mini steel mill in Laverton, Victoria was tested for leachability of zinc, lead, copper and silver, with excellent results.

EAF dust is a fully oxidized material and so requires acid to leach. The IZP is designed to leach sulphide minerals and consequently generates an oxidant in the form of Halex™ that will not directly leach oxidized substances. Halex can be converted to acid by reaction with elemental sulphur, a reaction that is known to take place in the final leach stage of the Intec Copper Process.

A provisional patent was lodged on 10 March 2003, based on a modified IZP flowsheet that included the above step, prior to making a presentation to Smorgon technical staff. A proposal for a staged testwork program was presented, however this has not progressed to date.

Sun Metals Ferrite Project

Sun Metals operates an electrolytic zinc plant at Townsville, Queensland. The plant produces 70,000 tpa of a zinc ferrite-bearing residue containing 11,000 tpa Zn. A sample of this residue was successfully leached with high extractions of zinc, lead and silver. A proposal was put to Sun Metals for a staged testwork program, however this has not progressed to date.

The Intec Nickel Process (INP)

As reported in the 2002 annual report, a two-month project began in October 2002 to validate the ability of the INP to treat Ni/Cu/Co/Au/PGMs concentrate from the Platreef in South Africa. This program represented the first development application of the INP. The aim of test work during the tight schedule imposed by the client, was to demonstrate the viability of the principal unit operations and to generate sufficient data to allow preliminary estimates of capital and operating costs for the INP. Consequently, significant further development is needed to optimise the highly encouraging first application of the INP to the Platreef concentrate.

The program successfully simulated all unit operations of the INP, with the exception of Zn/Pb removal that will require further development. A preliminary estimation of capital and operating costs was undertaken, highlighting a significant reduction in both capital and operating costs compared to other potential processing routes.

Department of Chemical Engineering, University of Sydney

Intec's offices and laboratories are located in close proximity to the Department of Chemical Engineering at the University of Sydney. This has encouraged productive interaction with the Department, including the Chemical Engineering Foundation that forges effective links between the Department and industry. The benefits to Intec of this relationship is demonstrated by Intec's involvement in the IZP-based ARC "Linkage" project, the MIPPS program and the numerous students and graduates who have become permanent and vacation employees.

Review of operations (continued)

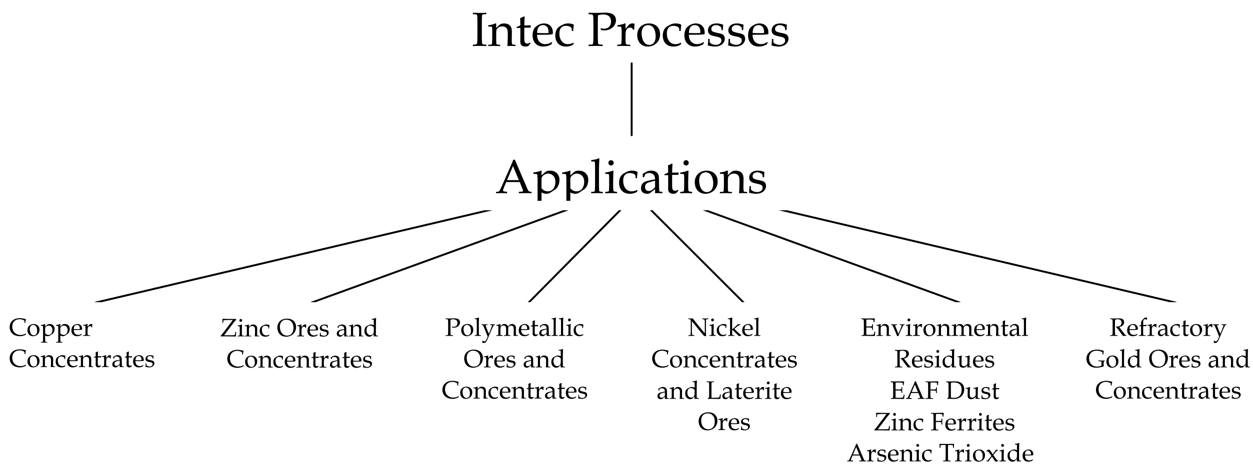
Projects and marketing report

The commercial focus of Intec is to leverage the economic and environmental benefits of the Intec Processes into acquisition of interests in resources projects where its technology adds value.

Intec's portfolio of chloride-based technologies has, in recent years, been expanded beyond its original emphasis on the treatment of copper concentrates. The generic Intec Process now includes the treatment of zinc, nickel, and polymetallic concentrates, the environmental beneficiation of economically valuable residue materials and most recently the treatment of refractory gold ores and concentrates.

The expansion of this portfolio has been due to of a number of factors. Firstly, prevailing economic conditions, particularly in the copper industry, have acted as a deterrent to the introduction of new technology. As a consequence, the Company has sought to utilise the inherent flexibility of the Intec Process in the treatment of non-standard (i.e. generally problematic) materials. Finally, through the association with Intec's largest shareholder, the Ivanhoe group, an increasing focus on the treatment of refractory gold ores and concentrates has been developed.

Intec's technology portfolio, as it currently stands, is shown below.



Base Metals

The commercialisation opportunities for Intec's base metals technologies have been hindered by low base metals prices in recent years. These have led to production cutbacks at a number of mines, which in turn have reduced base metals concentrates supplies to the world's smelters and refineries (i.e. Intec's competitors). There have also been structural changes in the processing of base metals concentrates, including the rapid increase in Chinese smelter demand and the imposition of high tariffs on imported metal in countries such as India.

The overall impact of these trends has been to reduce, to historically low levels, the treatment and refining charges (TC/RC's) levied by smelters for the conversion of base metal concentrates into copper metal. The sharp decline in contract TC/RC's has made it much more difficult for any new plant (including an Intec Copper Process (ICP) plant) to compete, as it must also amortise its capital investment and still demonstrate an attractive investment return.

The low TC/RC's for copper concentrates resulted in the decision by the Company, announced at the 2002 Annual General Meeting, not to allocate further efforts to the previously proposed Queensland and Port Hardy ICP projects for the foreseeable future. Fortunately, these decisions pre-empted any major project financial outlays by the Company. Such money as had by then been spent was devoted almost entirely to the compilation of the basic engineering package for a generic ICP plant, which will continue to stand us in good stead in future years.

While the application of the generic Intec Processes to the treatment of base metal concentrates remains a key focus of the Company's activities it intends that the further development of these processes will be funded by external parties.

Review of operations (continued)

For example, Intec very successfully completed a paid testwork program on a sample of low-grade complex copper concentrate from KGHM's Lubin Mine in Poland. Discussions have since been held in Poland between Intec and KGHM on progressing the project. More recently, Intec has commenced paid testwork on a copper/gold concentrate from a massive copper-gold porphyry ore body in New South Wales that is analogous to the Oyu Tolgoi project in Mongolia, owned by Ivanhoe. Testwork on the application of the ICP to samples from Oyu Tolgoi will begin shortly.

Intec is also in discussions in relation to undertaking paid laboratory testwork on several polymetallic concentrates. These concentrates are produced from mines where the economics are presently adversely affected by the need to produce a separate smelter-(i.e. high-)grade concentrate for each base and/or precious metal, resulting in poor metallurgical recoveries from the originally mined ore. Intec considers that this represents a major market opportunity due to the Intec Process's unique ability in the chloride medium to recover all payable metals from low-grade complex concentrates.

The Intec Gold Process (IGP)

During the year Intec devoted considerable technical resources to the development of the IGP, which extends the generic Intec Process to the treatment of refractory gold ores and concentrates. This development represents a natural extension of the application of the Intec Process and demonstrates the flexibility of chloride-based chemistry. Furthermore, it increases the commercialisation opportunities for the Company due to important structural differences between the gold and base metals industries.

The conventional leach process for recovery of gold from 'free milling' ores utilises sodium cyanide technology that is coming under increasing scrutiny from an environmental point of view. This technology is in any case ineffective for the treatment of so-called refractory gold ores and concentrates that require a pre-treatment step by one of roasting, bacterial oxidation or pressure oxidation – all in the sulphate medium – in order to liberate the gold from sulphide matrices. The IGP therefore differs from current commercial practice where gold is extracted from the oxidation residue using cyanide, requiring a separate dedicated leach circuit (Carbon-in-Pulp (CIP) or Carbon-in-Leach (CIL)) and in many instances the costly requirement for residual cyanide destruction. Thus the IGP is simpler, cheaper and more environmentally friendly. Roasting is generally applied to double-refractory ores that are resistant to conventional flotation (e.g. in the Carlin area of Nevada) and generally entails a difficult environmental approval process. Roasting is therefore not widely used, except at high throughput rates where economics of scale offset environmental control costs.

An estimated one third of the world's gold production comes from gold deposits that are classified as 'refractory': i.e. the concentrate from the ore requires a pre-treatment processing step prior to gold recovery from the oxidation tailings via conventional cyanidation. This refractory proportion will certainly continue to increase, as near-surface gold deposits (which have been weathered to yield non-refractory gold ores readily amenable to conventional cyanide treatment) are being depleted.

IGP Demonstration Plant

IGP testwork has focussed initially on the 'double-refractory' gold concentrate from the Bakyrchik mine in Kazakhstan, which is 70%-owned by the Ivanhoe group. Following this successful testwork, Ivanhoe has agreed to fund the design, construction, commissioning and initial operation of the IGP demonstration plant in return for being granted a licence to use the IGP.

Intec has also undertaken extensive laboratory testwork on a number of different refractory gold concentrates samples that have been submitted to it. It is anticipated that encouraging laboratory results would lead to the relevant project owners supplying tonnages of their concentrates to the IGP demonstration plant next year for processing on a paid basis. Wherever possible, Intec would attempt to translate the potential of the IGP to add value to these refractory gold projects into project equity interests and resultant cashflows.

The IGP demonstration plant will be located at Metcon Laboratories' metallurgical testwork facility at Brookvale in northern Sydney, Australia. Metcon Laboratories is a wholly-owned subsidiary of Ammtec Limited, Australia's largest metallurgical and mineral testing consultancy. Project planning indicates that the IGP demonstration plant would be commissioned in early 2004. It is proposed to operate the demonstration plant on a campaign basis (likely initially to include the treatment of Bakyrchik concentrate and Hellyer tailings – see below) and, after first successfully demonstrating the IGP, it is anticipated that the operating costs of the demonstration plant will be covered by testwork fees.

Review of operations (continued)

Hellyer Metals Project

Another example of the potential application of the IGP is the agreement reached between Intec and Western Metals Limited (Receivers and Managers Appointed) (Administrators Appointed) (Western Metals), in relation to the Hellyer Metals Project in Tasmania. Notwithstanding the appointment of Receivers and Managers to Western Metals, the agreement between Intec and Western Metals in relation to the Hellyer Metals Project is presently anticipated to proceed on the staged basis as previously announced.

The Hellyer Metals Project, involves the re-treatment of the existing tailings dam at the Hellyer mine site in Tasmania. Western Metals and Intec have agreed to jointly investigate a project configuration involving the production of a bulk zinc/lead/silver concentrate using the existing on-site mill and concentrator, followed by the treatment of residual material by the IGP to recover the remaining gold and silver.

Hellyer ore was of a fine-grained complex massive sulphide type that was difficult to process. Despite the state-of-the-art flotation circuit, less than 80% of the contained zinc was recovered and precious metal recovery was very low. The unrecovered metals are contained in a single tailings dam at the mine site.

There are 10.9 million tonnes of tailings stored at Hellyer with grades and metal contents as shown below:

Element	Grade	Quantity
Gold	2.6 g/t	910,000oz
Silver	88.0 g/t	31,000,000oz
Zinc	2.80%	300,000t
Lead	3.00%	330,000t
Copper	0.16%	17,500t

Table 1: Hellyer Tailings Resource

The total in-ground metal value at current spot metal prices and exchange rates is approximately A$1.4 billion, however prior to accessing this value significant processing costs will need to be incurred.

Preliminary metallurgical test work carried out on samples of Hellyer tailings has indicated that the IGP could achieve gold and silver recoveries that are significantly higher than those delivered by conventional cyanide leaching methods. Consequently a process development program utilising the IGP for the Hellyer Metals Project is currently being worked on jointly by Western Metals in Burnie, Tasmania and Intec in Sydney.

Directors' report

Your Directors present their report on the consolidated entity, consisting of Intec Ltd ("Intec" or the "Company") and the entities which it controlled at the end of, or during, the year ended 30 June 2003.

Information on Directors

The names and details of the Directors of the Company in office during the financial year and on the date of this report are set out below. All were Directors for the whole of the financial year except Mr Ross, who was appointed a Director on 19 September 2003 and continues in office at the date of this report.

Name and special responsibilities	Experience
Kenneth J Severs BSc, C Eng, P Eng, FI Chem E Non-executive Chairman	Mr Severs is a senior chemical engineer with over 40 years of experience in the mining and metals industry. He has worked at all levels of management in extractive metallurgy including research and development, operations, projects, design, consultancy, marketing and executive functions. He has held senior executive positions with a number of large mining companies including nine years (1990-1999) for the Rio Tinto group as Group Metallurgical Executive and 24 years (1964-1988) for the Anglo American Group. Mr Severs was Managing Director of Intec Copper from 1995 to December 1998. He was appointed a Non-executive Director of the Company on 26 March 2001 and became its Chairman on 10 October 2001. Mr Severs continues to provide valued consultancy services to the consolidated entity on a per diem basis from his residential base in the UK.
Philip R Wood BA (Syd), LLB (Syd), ASIA Managing Director Chief Executive Officer	Mr Wood originally qualified as a legal and corporate adviser on local and international financial and commercial transactions. He has been a Director of the Company since 1993 and of Intec Copper since 1997. He was appointed Managing Director and Chief Executive Officer of the Company on 26 March 2001. He is responsible for implementation of corporate, financial and marketing strategies of the consolidated entity.
A John Moyes BA (Chem) (Macquarie) Technical Director	Mr Moyes has over 30 years of experience in the mining and metals industry, encompassing minerals analysis, laboratory management, hydrometallurgical and electrochemical research, process development, plant design and project management. He has been a Director of the Company since 1995 and of Intec Copper since 1998. He is presently the Technical Director of Intec and the Managing Director of Intec Copper.
J Philip Evans BSc (Met) (Birmingham UK), MCIMM Non-executive Director	Mr Evans is the President of H. G. Engineering, one of North America's leading metallurgical engineering firms. He was involved on behalf of H. G. Engineering in all phases of the successful Kennecott Utah Copper hydrometallurgical project owned by the Rio Tinto group. Mr Evans has led H. G. Engineering's close involvement with the Intec Copper Process since 1995 and has over 40 years of experience in the operation and design of hydrometallurgical plants. He was appointed a Non-executive Director of the Company on 26 March 2001. H. G. Engineering provides important engineering design services to the consolidated entity from its corporate headquarters in Toronto, Canada.
Ian W Ross Non-executive Director	Mr Ross, a director of, and with executive responsibilities for, a number of operating subsidiaries in the Ivanhoe group, has extensive corporate finance experience in Europe, North America, Africa, Australasia and Asia. He was a founding director of a group of mining companies located in the People's Republic of China (PRC) which was acquired by the Ivanhoe group in 1994. His ensuing senior executive roles with Ivanhoe Capital Corporation have included several years resident in the PRC as the Ivanhoe group's Director and as Vice Chairman of Shanghai Land Corporation. Mr Ross is now resident in Sydney and was appointed a Non-executive Director of the Company on 19 September 2003.
Gordon L Toll BE Mining (Hons), MSc, MAusIMM Non-executive Director	Mr Toll has for many years held senior executive positions with major international resource companies in the commercial and technical areas. He is currently Deputy Chairman and Director of Ivanhoe Mines Ltd. and a Director of Compass Resources N.L. He was appointed a Non-executive Director of the Company on 22 May 2002.

Directors' report (continued)

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held and attended by each Director during the financial year ended 30 June 2003 were:

Director	Full Meetings of Directors [1]	Meetings attended
Kenneth J Severs [2]	2	2
Philip R Wood	2	2
A John Moyes	2	2
J Philip Evans	2	2
Ian W Ross (appointed 19 September 2003) [2]	0	0
Gordon L Toll	2	1

1 Number of meetings held during the time the Director held office.

2 Current members of the Audit Committee. During the financial year ended 30 June 2003, Audit Committee meetings were held on 9 September 2002 and 5 March 2003 and these meetings were attended by Messrs Severs and Wood. A further Audit Committee meeting was held on 12 September 2003 and approved the Financial Report for the year ended 30 June 2003. Mr Toll replaced Mr Wood on the committee in November 2002 and was represented on 12 September 2003 by Mr Ross. Mr Ross replaced Mr Toll on the committee on 19 September 2003. Mr Severs and Mr Ross are also members of the Remuneration Committee which was established on 19 September 2003.

Principal Activities

The principal activities of the consolidated entity during the financial year were the continued technical development, marketing and commercialisation of its patented hydrometallurgical processes. During the year the Company also developed and patented the Intec Gold Process for the treatment of refractory gold in an economically and environmentally advantageous manner.

No other significant changes in the nature of these activities occurred during the year.

Operating Results

The net loss of the consolidated entity after providing for income tax amounted to $3,201,983 (2002 – loss $3,097,322).

Dividends

No dividends were paid during the year and no recommendation is made as to payment of dividends.

Review of Operations

A review of the operations of the Company during the financial year and the results of those operations are contained in pages 2 to 7 in this report.

Earnings per share

	2003	2002
	Cents	Cents
Basic earnings per share (loss)	**(2.19)**	(2.56)
Diluted earnings per share (loss)	**(2.19)**	(2.56)

Likely Developments and Expected Results of Operations

Steps to commercialise the Intec technology on potentially suitable projects have been advanced considerably during the financial year and subsequent to year end. However the Directors wish to emphasise that quite a number of years will elapse until such projects have achieved successful commercial operation.

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the financial report.

Directors' report (continued)

Matters Subsequent to the End of the Financial Year

On 7 August 2003 the Company lodged at ASIC and ASX a Prospectus for a three for five renounceable Entitlements Issue to shareholders for the issue of 87,623,490 new shares at the price of $0.03 per share. The Entitlements Issue closed successfully on 11 September 2003 and raised $2,628,705.

On 10 September 2003, the consolidated entity received $245,587 from the Australian Taxation Office under the research and development tax offset scheme in relation to the year ended 30 June 2002.

Apart from these, no other matters or circumstances have arisen since 30 June 2003 that has significantly affected or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years.

Environmental Regulation

The consolidated entity's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the State of New South Wales. Intec is licensed to operate under Section 55 of the *Protection of the Environment Operations Act 1997* (NSW Environment Protection Authority) and the associated *Protection of the Environment Operations (General) Regulation 1998*. The consolidated entity is at all times in full environmental compliance with the conditions of its licence.

Share Options

At 30 June 2003 the Company had granted options over 1,275,000 unissued shares to former Directors and a former employee with an exercise price of $0.50 payable in full on or before 30 June 2009. These options were issued in 1999 and 2000.

On 16 July 2002 the Company granted 3,020,009 five year options to employees and certain key consultants which are exercisable at any time until expiry on 16 July 2007 at an option exercise price of $0.25. On 20 November 2002 the Company approved the granting of 4,281,947 options on the same terms to the Company's Directors. It issued 295,173 options to the Chairman Mr Kenneth J Severs, 2,047,035 options to the Managing Director and Chief Executive Officer Mr Philip R Wood, 1,756,749 options to the Technical Director Mr A John Moyes and 182,990 options to the Non-executive Director Mr J Philip Evans. These options were granted to Directors in respect of past performance and were approved by the Company's shareholders at its 2002 Annual General Meeting.

The Directors have reviewed the value of these options using the Black and Scholes option valuation methodology. On this basis the $0.25 options have a value of approximately $0.0036 each at 30 June 2003. Accordingly the total of these options values are included in the remuneration of Directors and senior executives as set out in this Directors' Report.

No options were exercised during or since the end of the financial year. Following the pro rata renounceable Entitlements Issue which was successfully completed in September 2003, the exercise price of the $0.25 options has reduced to $0.24625 and the exercise price of the $0.50 options has reduced to $0.49625.

Directors' Interests

The relevant interest of each Director (including their associates) in the share capital of the Company as at 30 June 2003 are set out in note 29 to the financial statements. In September 2003 the Directors acquired additional shares under the three for five renounceable Entitlements Issue. An additional 497,625 shares were acquired by Mr KJ Severs, 291,474 shares were acquired by Mr PR Wood, 499,543 shares were acquired by Mr AJ Moyes and 2,350,000 shares were acquired by Mr JP Evans. Mr IW Ross, who was appointed a Director on 19 September 2003 holds 100,000 ordinary shares.

Directors' and Executives' Emoluments

Executive remuneration and other terms of employment are reviewed annually. As well as a base salary, remuneration packages include superannuation. The Board determined that there will be no increases in Directors' or executives' remuneration during the current financial year. In the future, executive remuneration will be determined by the Board upon consideration of the recommendations of the Remuneration Committee which was established on 19 September 2003 and comprises Messrs Severs and Ross (both Non-executive Directors).

Directors' report (continued)

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing and enhancing the consolidated entity's operations. Remuneration of individual Non-executive Directors is determined by the Board and may be varied from time to time but always such that the aggregate (currently $157,500 per annum) is within the maximum amount (currently $200,000 per annum) for which prior approval of the shareholders has been received.

Details of the nature and amount of each element of the emoluments of each of the Directors of Intec and each of the five senior executives of the Company and the consolidated entity who received the highest emoluments during the year ended 30 June 2003 are set out in the following tables.

Directors of Intec	**Directors' Fees**	**Salaries**	**Consulting fees**	**Superannuation Contributions**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Kenneth J Severs	45,000	-	24,672	-	1,069	70,741
Philip R Wood	-	224,603	-	19,348	7,417	251,368
A John Moyes	-	116,266	-	75,434	6,365	198,065
J Philip Evans	37,500	-	7,217	-	663	45,380
Ian W Ross	-	-	-	-	-	-
Gordon L Toll	40,920	-	-	-	-	40,920
Other senior executives of the consolidated entity						
Kieran G Rodgers		159,998	-	14,390	2,078	176,466
Jean-Louis Huens		127,813	-	11,473	-	139,286
Chung Ho Lam		124,999	-	11,243	1,635	137,877
Frank Houllis		124,999	-	11,243	1,493	137,735
Robert J Waring		-	76,300	-	1,388	77,688

A recent ASIC guidance release has clarified the treatment of options for inclusion in directors' and executives' remuneration. In accordance with this release the amounts disclosed above for remuneration relating to options are assessed fair value of options at the date they were granted. Fair values have been assessed using the Black and Scholes option valution methodology which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the options, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The total fair value is allocated to this reporting period since the options vest immediately on grant date. This amount has not been expensed in the profit and loss account.

Insurance of Officers

The Company has, by Deed of Access, Indemnity and Insurance, paid a premium to insure the Directors and Company Secretary of the consolidated entity in respect of certain legal liabilities, including costs and expenses in successfully defending legal proceedings, whilst they remain as Directors and for seven years thereafter. The insurance contract prohibits the disclosure of the total amount of the premiums and a summary of the nature of the liabilities.

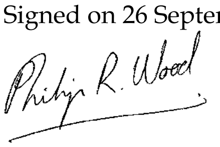
Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed on 26 September 2003 in accordance with a resolution of the Board of Directors.



Philip R Wood
Managing Director and Chief Executive Officer

Statements of financial performance
for the year ended 30 June 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Intec Ltd 2003 $	Intec Ltd 2002 $
Revenue from ordinary activities	3	**270,922**	178,164	**2,579,921**	1,245,411
Administration expense		**(314,829)**	(327,442)	**(314,353)**	(327,442)
Borrowing costs		**-**	(13,391)	**-**	-
Depreciation and amortisation expenses		**(49,536)**	(41,376)	**(49,536)**	(41,376)
Employee benefits expenses		**(1,890,474)**	(1,149,673)	**(1,890,474)**	(1,149,673)
Engineering and other consultants expenses		**(154,197)**	(236,826)	**(154,197)**	(236,826)
Occupancy expense		**(181,276)**	(120,501)	**(181,276)**	(68,900)
Marketing expense		**(17,845)**	-	**(17,845)**	-
Provision against advances to controlled entity		**-**	-	**(2,711,972)**	(1,450,278)
Provision against investments in controlled entity		**-**	-	**(30,764)**	(1,100,000)
Research and development expenses		**(588,568)**	(42,584)	**(185,597)**	(42,584)
Written down value of asset disposals		**(10,418)**	(16,097)	**(10,418)**	(16,097)
Write-off goodwill on consolidation		**-**	(1,102,329)	**-**	-
Other expenses from ordinary activities		**(265,762)**	(225,267)	**(265,761)**	(270,864)
Loss from ordinary activities before income tax expense	4	**(3,201,983)**	(3,097,322)	**(3,232,272)**	(3,458,629)
Income tax expense relating to ordinary activities	5	**-**	-	**-**	-
Net loss attributable to members of Intec Ltd	22	**(3,201,983)**	(3,097,322)	**(3,232,272)**	(3,458,629)
Basic and diluted earnings (loss) per share (cents per share)	8	**(2.19)**	(2.56)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position
as at 30 June 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Intec Ltd 2003 $	Intec Ltd 2002 $
Current assets					
Cash assets	9	**733,591**	3,748,441	**728,853**	3,743,228
Receivables	10	**44,908**	31,921	**44,908**	31,921
Other current assets	11	**3,564**	-	**3,564**	-
Total current assets		**782,063**	3,780,362	**777,325**	3,775,149
Non-current assets					
Receivables	12	**-**	-	**-**	-
Investments	13	**-**	-	**4,740**	35,502
Property, plant and equipment	15	**101,174**	86,988	**101,174**	86,988
Total non-current assets		**101,174**	86,988	**105,914**	122,490
Total assets		**883,237**	3,867,350	**883,239**	3,897,639
Current liabilities					
Payables	16	**341,927**	197,710	**341,927**	197,710
Provisions	17	**89,218**	46,235	**89,218**	46,235
Total current liabilities		**431,145**	243,945	**431,145**	243,945
Non-current liabilities					
Payables	18	**-**	-	**2**	-
Provisions	19	**42,962**	11,842	**42,962**	11,842
Total non-current liabilities		**42,962**	11,842	**42,964**	11,842
Total liabilities		**474,107**	255,787	**474,109**	255,787
Net assets		**409,130**	3,611,563	**409,130**	3,641,852
Equity					
Contributed equity	20	**29,751,244**	29,751,694	**29,751,244**	29,751,694
Accumulated losses	22	**(29,342,114)**	(26,140,131)	**(29,342,114)**	(26,109,842)
Total equity		**409,130**	3,611,563	**409,130**	3,641,852

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows
for the year ended 30 June 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Intec Ltd 2003 $	Intec Ltd 2002 $
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**122,673**	113,659	**122,673**	113,659
Payments to suppliers and employees (inclusive of GST)		**(3,209,347)**	(2,001,973)	**(3,208,871)**	(2,327,832)
Interest received		**133,212**	60,745	**133,211**	54,778
Borrowing Costs		**-**	(13,391)	**-**	-
Net cash (outflow) from operating activities	30 (c)	**(2,953,462)**	(1,840,960)	**(2,952,987)**	(2,159,395)
Cash flows from investing activities					
Payments for property, plant and equipment		**(74,140)**	(63,432)	**(74,140)**	(63,432)
Proceeds from sale of property, plant and equipment		**13,202**	14,093	**13,202**	14,093
Net cash (outflow) from investing activities		**(60,938)**	(49,339)	**(60,938)**	(49,339)
Cash flows from financing activities					
Proceeds from share issues		**-**	5,177,000	**-**	5,177,000
Share issue costs		**(450)**	(339,022)	**(450)**	(339,022)
Repayment of borrowings		**-**	(347,791)	**-**	-
Net cash inflow (outflow) from financing activities		**(450)**	4,490,187	**(450)**	4,837,978
Net increase (decrease) in cash held		**(3,014,850)**	2,599,888	**(3,014,375)**	2,629,244
Cash at the beginning of the financial year		**3,748,441**	1,148,553	**3,743,228**	1,113,984
Cash at the end of the financial year	30 (a)	**733,591**	3,748,441	**728,853**	3,743,228
Non-cash financing and investing activities	30 (b)				
Financing arrangements	30 (d)				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
for the year ended 30 June 2003

1. Statement of significant accounting policies

Financial reporting framework

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Intec Ltd (the "Company" or "parent entity") and its controlled entities, and Intec Ltd as the parent entity. Intec Ltd is an ASX listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The Company and controlled entities generated operating losses of $3,201,983 and negative cash flows from operations of $2,953,462 in the year ended 30 June 2003 as the Company continues to work towards the commercialisation of Intec Processes. As of balance date, the Company and controlled entities had net assets of $409,130 and cash balances of $733,591. The continuing viability of the consolidated entity and its ability to continue as going concerns and meet their debts as they fall due in future years are dependent upon:

(i) the Company being successful in negotiating and obtaining additional funding; and

(ii) success in proving and commercialising the Intec Processes.

The successful raising of $2.4 million, net of issue costs, from the Company's Entitlements Issue subsequent to year end has aided this process.

The Directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The Directors regularly monitor the Company's cash position and on an on-going basis consider a number of strategic and operational plans and initiatives to ensure that adequate funding continues to be available for the Company to meet its business objectives.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2003. Provisions have been made in the financial report relating to the recoverability of the asset carrying amounts, including the Company's investment in, and amount receivable from, Intec Copper Pty Ltd (refer notes 12 and 13). No other adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The Company has adopted relevant new and revised accounting standards and pronouncements with no material impact.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are normally repayable within 30 days of recognition.

(b) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the fair value of assets given up, shares issued or liabilities undertaken, determined as at the date of acquisition plus costs incidental to the acquisition.

Notes to the financial statements
for the year ended 30 June 2003

1. **Statement of significant accounting policies (continued)**

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Cash

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 60 days to maturity.

(d) Comparative figures

Where required comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(e) Depreciation

Depreciation is provided on plant and equipment.

Depreciation provided on plant and equipment is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Computer equipment	2-3 years
Office furniture and equipment	3-8 years
Plant and equipment	4-7 years

(f) Employee entitlements

Provision is made for the consolidated entity's liability for employee entitlements, including on-costs, in respect of wages and salaries, annual leave and long service leave arising from service rendered by employees to balance date.

Provisions made in respect of wages and salaries, annual leave, and long service leave expected to be settled within 12 months, are measured at the amounts expected to be paid when the liability is settled.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date and take into account the expected future wages, experience of departures, periods of service and market yields.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

The Company operates an informal ownership based remuneration plan, details of which are provided in note 25 to the financial statements. No accounting entries are made in relation to the Intec Employee Option Plan until options are exercised at which time the amounts receivable are recognised in the statement of financial position as share capital.

(g) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

Notes to the financial statements
for the year ended 30 June 2003

1. Statement of significant accounting policies (continued)

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(a) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(b) For receivables and payables which are recognised inclusive of GST.

The gross amounts of GST recoverable from, or payable to, the taxation authority are included as part of receivables or payables.

(i) Income tax

The economic entity adopts the income statement liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax, or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received, or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(j) Intangible assets and expenditure carried forward

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis. Due to the negative value of the controlled entity and the indeterminate timing of the commercialisation of the Intec Copper Process the Directors have written off goodwill on acquisition.

(ii) Research and development

Costs incurred on research and development are written off in the year in which they are incurred.

No value has been attributed to the Company's patents or the Company's underlying proprietary technologies, because their values are presently difficult to quantify.

(k) Investments

Non-current investments in controlled entities are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(l) Loss per share

Basic and diluted loss per share are determined by dividing the net loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted number of ordinary shares outstanding during the financial year. No adjustment has been made to the basic loss per share for any options issued by the Company as outlined in note 8 as they are not considered potential ordinary shares at reporting date and are not therefore dilutive.

Notes to the financial statements
for the year ended 30 June 2003

1. Statement of significant accounting policies (continued)

(m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 14 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity, are eliminated in full.

(n) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts as they are due for settlement no more than 30 days from recognition.

(o) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(p) Revenue recognition

(i) Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

(ii) Interest Income

Interest income is recognised on an accrual basis, taking into account the interest rates applicable to financial assets.

(iii) Management Fees

Management fees are charged to controlled entities on a cost basis for services provided.

(iv) Consulting services

Revenue from consulting services are recognised using the percentage-of-completion method for fixed-fee arrangements or as the services are provided for time-and-materials arrangements.

(v) General

All revenue is stated net of goods and services tax (GST).

2. Segment information

The consolidated entity operates in one business segment and one geographical segment only being research, development and commercialisation of its hydrometallurgical technology in Australia.

Notes to the financial statements
for the year ended 30 June 2003

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
3. Revenue				
Revenue from operating activities				
Management fees – controlled entity	**-**	-	**2,309,000**	1,073,214
Consulting fees	**124,508**	103,326	**124,508**	103,326
	124,508	103,326	**2,433,508**	1,176,540
Revenue from outside the operating activities				
Interest – other entities	**133,212**	60,745	**133,211**	54,778
Proceeds from sale of plant and equipment	**13,202**	14,093	**13,202**	14,093
	146,414	74,838	**146,413**	68,871
Total revenue from ordinary activities	**270,922**	178,164	**2,579,921**	1,245,411

4. Loss from ordinary activities

Loss from ordinary activities before income tax has been determined after charging/(crediting) the following net gains or expenses:

Expenses				
Borrowing Costs				
Interest paid to other entities	**-**	13,391	**-**	-
Depreciation of non-current assets:				
Computer equipment	**30,132**	18,962	**30,132**	18,962
Office furniture and equipment	**3,008**	414	**3,008**	414
Plant and equipment	**16,396**	22,000	**16,396**	22,000
Total Depreciation	**49,536**	41,376	**49,536**	41,376
Transfers to (from) provisions:				
Annual leave	**42,983**	35,080	**42,983**	35,080
Long service leave	**31,120**	7,366	**31,120**	7,366
Advances to controlled entities	**-**	-	**2,711,972**	1,450,278
Diminution of investments	**-**	-	**30,764**	1,100,000
Operating lease rental expenses	**177,992**	120,501	**177,992**	68,900
Write-off goodwill on consolidation	**-**	1,102,329	**-**	-
Research and development	**471,707**	10,035	**68,736**	5,666
Net gains				
Net gain (loss) from disposal of plant and equipment	**2,784**	(2,004)	**2,784**	(2,004)

5 Income tax

(a) The prima facie income tax on pre-tax operating loss reconciles to the income tax expense/benefit in the financial statements as follows:

Loss from ordinary activities before income tax	**(3,201,983)**	(3,097,322)	**(3,232,272)**	(3,458,629)
Prima facie income tax benefit calculated at 30% (2002 – 30%) of operating loss	**(960,595)**	(929,197)	**(969,682)**	(1,037,589)
Tax effect of permanent differences:				
Non deductible amortisation	**-**	330,699	**-**	-
Provision for diminution of investments	**-**	-	**9,229**	330,000
Other non allowable items	**9,083**	3,170	**9,083**	2,166
Future income tax benefits not recognised	**951,512**	595,328	**951,369**	705,423
Income tax benefit attributable to operating loss	**-**	-	**-**	-

Notes to the financial statements
for the year ended 30 June 2003

5 Income tax (continued)

(b) Future income tax benefit not recognised

The potential future income tax benefit calculated at 30% (2002 – 30%) arising from tax losses and timing differences has not been recognised as an asset because recoverability is not virtually certain.

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
Revenue tax losses	**8,229,992**	7,269,300	**1,372,749**	1,238,212
Timing differences (net)	**115,918**	113,532	**1,778,733**	962,755
Total	**8,345,910**	7,382,832	**3,151,482**	2,220,967

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

i) the Company and the consolidated entity derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

ii) the Company and the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and

iii) no changes in tax legislation adversely affect the Company's and the consolidated entity's ability in realising the benefit from the deductions.

Tax consolidation legislation

The first two tranches of the tax consolidation legislation became substantively enacted on 21 October 2002 when the New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002 was passed by the Senate. The entity and its wholly-owned Australian entities are currently considering the timing of adoption of the legislation.

The financial effect of the legislation has not been recognised in this financial report in accordance with UIG 39 Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances. It is not possible to disclose the financial effect of the legislation on the 2003 financial report as it cannot yet be reliably estimated.

6. Remuneration of Directors and executive officers

(a) Directors

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors, of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party in connection with the management of affairs of the parent entity or its controlled entities is as follows:	**590,960**	466,480	**590,960**	466,480

The number of Directors of the Company whose total income falls within each successive $10,000 band of income (commencing at $0):	**Number 2003**	Number 2002
$0 - $9,999	**-**	1
$40,000 - $49,999	**2**	1
$60,000 - $69,999	**1**	-
$70,000 - $79,999	**-**	1
$150,000 - $159,999	**-**	1
$180,000 - $189,999	**-**	1
$190,000 - $199,999	**1**	-
$240,000 - $249,999	**1**	-

Notes to the financial statements
for the year ended 30 June 2003

6. Remuneration of Directors and executive officers (continued)

(b) Executive officers

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all executive officers of the consolidated entity, directly or indirectly, by the Company or by any related party in excess of $100,000.	**1,021,809**	684,067	**1,021,809**	684,067

The number of executive officers of the consolidated entity whose total income falls within each successive $10,000 band of income (commencing at $100,000) is as follows:	**Number 2003**	Number 2002	**Number 2003**	Number 2002
$100,000 - $109,999	**-**	2	**-**	2
$120,000 - $129,999	**-**	1	**-**	1
$130,000 - $139,999	**3**	-	**3**	-
$150,000 - $159,999	**-**	1	**-**	1
$170,000 - $179,999	**1**	-	**1**	-
$180,000 - $189,999	**-**	1	**-**	1
$190,000 - $199,999	**1**	-	**1**	-
$240,000 - $249,999	**1**	-	**1**	-

A summary of the numbers of options granted to, exercised and held by Australian-based executive officers (with income of at least $100,000) during the year ended 30 June 2003 is as follows:	**Outstanding 30 June 2002**	**Granted**	**Exercised**	**Outstanding 30 June 2003**
	-	1,436,789	**-**	1,436,789

(c) General

The amounts disclosed for remuneration of Directors and executive officers include superannuation.

Options are granted to Directors and executive officers under the Intec Option Plan details of which are included in note 25. Details of options granted to Directors during the year ended 30 June 2003 are set out in note 29.

Total remuneration for Directors and executives and the remuneration banding do not include amounts in relation to the grant of options under the Intec Option Plan. The options are not included as they were issued at no cost to the consolidated entity.

7. Auditor's remuneration

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
Remuneration of the auditor of the parent entity for PricewaterhouseCoopers – Australian firm – audit or review of the financial reports	**30,000**	29,245	**30,000**	29,245
Other services				
Taxation services	**1,700**	25,986	**1,700**	25,986
Other assurance services	**-**	10,000	**-**	10,000
	31,700	65,231	**31,700**	65,231

Notes to the financial statements
for the year ended 30 June 2003

8. Loss per share

	2003	2002
Basic and diluted earnings (loss) per share (cents per share)	**(2.19)**	(2.56)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings (loss) per share	**146,039,142**	121,036,186

The options outlined in note 21 are not considered potential ordinary shares at reporting date and are not therefore dilutive.

	2003	2002
Loss used in calculation of basic and diluted loss per share is the net loss for the financial year:	**(3,201,983)**	(3,097,322)

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
9. Cash assets				
Cash at bank and on hand	**174,008**	248,581	**169,270**	243,368
Bank accepted bills and deposits at call	**559,583**	3,499,860	**559,583**	3,499,860
	733,591	3,748,441	**728,853**	3,743,228
10. Current receivables				
GST receivables	**22,229**	9,834	**22,229**	9,834
Other receivables	**22,679**	22,087	**22,679**	22,087
	44,908	31,921	**44,908**	31,921
11. Other current assets				
Prepayments	**3,564**	-	**3,564**	-
	3,564	-	**3,564**	-
12. Non-current receivables				
Amount due from wholly owned controlled entities	**-**	-	**5,542,716**	2,830,744
Provision for diminution in value (refer note 29)	**-**	-	**(5,542,716)**	(2,830,744)
	-	-	**-**	-
13. Non-current investments				
Unlisted investments - at cost				
Shares in controlled entities (refer note 14)	**-**	-	**6,035,504**	6,035,502
Provision for diminution in value (refer note 29)	**-**	-	**(6,030,764)**	(6,000,000)
	-	-	**4,740**	35,502

14. Investments in controlled entities

Name of controlled entity	Country of incorporation	Class of shares	**Ownership interest 2003 (%)**	Ownership interest 2002 (%)
Intec Copper Pty Ltd	Australia	Ordinary	**100**	100
IVNL Gold Pty Ltd	Australia	Ordinary	**100**	-

Acquisition of controlled entity

On 2 June 2003 the parent entity established a wholly owned subsidiary, IVNL Gold Pty Ltd with $2 issued capital for possible future use in the development of the Intec Gold Process.

Notes to the financial statements
for the year ended 30 June 2003

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
15. Property, plant and equipment				
Computer equipment				
at cost	**94,195**	74,286	**94,195**	74,286
accumulated depreciation	**(48,407)**	(23,099)	**(48,407)**	(23,099)
	45,788	51,187	**45,788**	51,187
Office furniture and equipment				
at cost	**13,887**	11,287	**13,887**	11,287
accumulated depreciation	**(11,527)**	(8,519)	**(11,527)**	(8,519)
	2,360	2,768	**2,360**	2,768
Plant and equipment				
at cost	**121,408**	85,019	**121,408**	85,019
accumulated depreciation	**(68,382)**	(51,986)	**(68,382)**	(51,986)
	53,026	33,033	**53,026**	33,033
Total property, plant and equipment	**101,174**	86,988	**101,174**	86,988

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below:

2003	**Computer equipment $**	**Office furniture and equipment $**	**Plant and equipment $**	**Total $**
Consolidated				
Balance at 30 June 2002	51,187	2,768	33,033	86,988
Additions	35,151	2,600	36,389	74,140
Depreciation Expense	(30,132)	(3,008)	(16,396)	(49,536)
Disposals	(10,418)	-	-	(10,418)
Balance at 30 June 2003	45,788	2,360	53,026	101,174
Intec Ltd				
Balance at 30 June 2002	51,187	2,768	33,033	86,988
Additions	35,151	2,600	36,389	74,140
Depreciation Expense	(30,132)	(3,008)	(16,396)	(49,536)
Disposals	(10,418)	-	-	(10,418)
Balance at 30 June 2003	45,788	2,360	53,026	101,174
2002				
Consolidated				
Balance at 30 June 2001	27,319	1,241	52,469	81,029
Additions	49,593	2,769	11,070	63,432
Depreciation Expense	(18,962)	(414)	(22,000)	(41,376)
Disposals	(6,763)	(828)	(8,506)	(16,097)
Balance at 30 June 2002	51,187	2,768	33,033	86,988
Intec Ltd				
Balance at 30 June 2001	27,319	1,241	52,469	81,029
Additions	49,593	2,769	11,070	63,432
Depreciation Expense	(18,962)	(414)	(22,000)	(41,376)
Disposals	(6,763)	(828)	(8,506)	(16,097)
Balance at 30 June 2002	51,187	2,768	33,033	86,988

Notes to the financial statements
for the year ended 30 June 2003

	Consolidated 2003 $	Consolidated 2002 $	Intec Ltd 2003 $	Intec Ltd 2002 $
16. Current payables				
Unsecured:				
Trade payables	**170,626**	150,610	**170,626**	150,610
Other creditors	**171,301**	47,100	**171,301**	47,100
	341,927	197,710	**341,927**	197,710
17. Current provisions				
Employee benefits (refer note 25)	**89,218**	46,235	**89,218**	46,235
18. Non-current payables				
Amount due to wholly owned controlled entity	**-**	-	**2**	-
19. Non-current provisions				
Employee benefits (refer note 25)	**42,962**	11,842	**42,962**	11,842
20. Contributed equity				
146,039,142 fully paid ordinary shares (2002 – 146,039,142)	**29,751,244**	29,751,694	**29,751,244**	29,751,694

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Movement in ordinary share capital

	Consolidated 2003 $	Consolidated 2002 $	Intec Ltd 2003 $	Intec Ltd 2002 $
Balance at beginning of year	**29,751,694**	23,780,378	**29,751,694**	23,780,378
Shares issued during year				
Nil (2002 – 11,333,378 issued as consideration for acquisition of minority interest in controlled entity at 10 cents per share)	**-**	1,133,338	**-**	1,133,338
Nil (2002 – 1,770,000 issued in placements to institutional and other investors at 10 cents per share)	**-**	177,000	**-**	177,000
Nil (2002 – 25,000,000 issued pursuant to the Company's Initial Public Offering at 20 cents per share)	**-**	5,000,000	**-**	5,000,000
Transaction costs relating to share issues pursuant to the Company's IPO in the year ended 30 June 2002.	**(450)**	(339,022)	**(450)**	(339,022)
Balance at end of year	**29,751,244**	29,751,694	**29,751,244**	29,751,694

No shares were issued during the current year.

Notes to the financial statements
for the year ended 30 June 2003

21. Options

Consolidated and parent entity

Unlisted – 2003

Issue Date	Expiry Date	Exercise Price	Number on issue 30 June 2002	Granted during year	Lapsed during year	Exercised during year	Number on issue 30 June 2003
16.07.2002	16.07.2007	$0.25	-	3,020,009	-	-	3,020,009
20.11.2002	16.07.2007	$0.25	-	4,281,947	-	-	4,281,947
1999 to 2000	30.06.2009	$0.50	1,275,000	-	-	-	1,275,000
Total Options on issue			1,275,000	7,301,956	-	-	8,576,956

Unlisted – 2002

Issue Date	Expiry Date	Exercise Price	Number on issue 30 June 2001	Granted during year	Lapsed during year	Exercised during year	Number on issue 30 June 2002
1996 to 1999	13.10.2001	$1.50	22,026,395	-	(22,026,395)	-	-
1999 to 2000	30.06.2009	$0.50	-	1,275,000	-	-	1,275,000
Total Options on issue			22,026,395	1,275,000	(22,026,395)	-	1,275,000

The options expiring in 2007 have been issued pursuant to the Intec Option Plan (Refer note 25).

The options expiring in 2009 were issued pursuant to specific contracts with former Directors and a former employee.

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
22. Accumulated losses				
Accumulated losses at beginning of financial year	**(26,140,131)**	(23,042,809)	**(26,109,842)**	(22,651,213)
Net loss for year	**(3,201,983)**	(3,097,322)	**(3,232,272)**	(3,458,629)
Accumulated losses at end of financial year	**(29,342,114)**	(26,140,131)	**(29,342,114)**	(26,109,842)

23. Commitments for expenditure

(a) Capital expenditure commitments

There are no capital commitments at the end of the financial year.

(b) Lease commitments

Operating leases relate to office facilities with lease terms of between one to three years. The Company does not have an option to purchase the leased asset at the expiry of the lease period.

Operating leases

Not later than one year	**-**	177,084	**-**	177,084
Later than 1 year but not later than 5 years	**-**	16,320	**-**	16,320
	-	193,404	**-**	193,404

24. Contingent liabilities

Patents

The Company has an agreement with Intec Copper Pty Ltd, a wholly owned subsidiary, to pay half the ongoing international patent costs associated with the Intec Copper Process by use of hydrometallurgical leaching purification and electrowinning. The consolidated entity's liability for patent costs is expected to be in the vicinity of $136,000 each year for the next two years.

Notes to the financial statements
for the year ended 30 June 2003

24. Contingent liabilities (continued)

R&D Start Grant repayable component

The consolidated entity has received an R&D Start grant from the Federal Government which is partly repayable contingent upon the successful commercialisation of the technology for which the R&D Start grant was made. The contingent liability that may be repaid is $1,832,085. The repayment rate is set at 30% of the revenues generated from the technology annually until the repayable component has been repaid. Interest is currently accruing on this amount, and the current contingent liability including interest is $2,122,000.

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
25. Employee benefits				
Employee benefit and related on cost liabilities				
Included in current provisions (note 17)	**89,218**	46,235	**89,218**	46,235
Included in non-current provisions (note 19)	**42,962**	11,842	**42,962**	11,842
Aggregate employee benefit and related on cost liabilities	**132,180**	58,077	**132,180**	58,077

Employee numbers

The economic entity had 12 employees at year end - average 12 (2002 – 11 employees at year end – average 10.)

Intec Option Plan

The establishment of the Intec Option Plan was approved by shareholders at the 1999 Annual General Meeting. All employees, Directors and key consultants are eligible to participate in the plan.

Options are issued under the plan for no consideration. Options issued have a five year exercise period and vest immediately.

Options issued under the plan carry no dividend or voting rights.

When exercisable, each option is converted into one ordinary share.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are issued or at a higher exercise price if so determined by the Directors.

Amounts receivable on the exercise of options are recognised as share capital.

Details of options issued and exercised during the year are shown in note 21.

26. Events subsequent to reporting date

On 7 August 2003 the Company lodged at ASIC and ASX a Prospectus for a three for five renounceable Entitlements Issue to shareholders for the issue of 87,623,490 new shares at the price of 3 cents per share. The Entitlements Issue closed successfully on 11 September 2003 and raised $2,628,705. The financial effect of this transaction has not been brought to account at 30 June 2003.

On 10 September 2003, the consolidated entity received $245,587 from the Australian Taxation Office under the research and development tax offset scheme in relation to the year ended 30 June 2002.

No other matters or circumstances have arisen since 30 June 2003 that have significantly affected or may significantly affect the consolidated entity's operations in future financial years, or the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

Notes to the financial statements
for the year ended 30 June 2003

27. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Interest rate risk

The consolidated entity has not entered into interest rate hedging transactions. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rates	Floating interest rates	Fixed interest Maturing in 1 year or less	Non-interest bearing	Total
2003						
Financial assets						
Cash	9	4.8%	174,008	559,583	-	733,591
Receivables	10	0.0%	-	-	44,908	44,908
Total assets			**174,008**	**559,583**	**44,908**	**778,499**
Financial liabilities						
Payables	16	0.0%	-	-	341,927	341,927
Total liabilities			**-**	**-**	**341,927**	**341,927**
Net financial assets (liabilities)			**174,008**	**559,583**	**(297,019)**	**436,572**
2002						
Financial assets						
Cash	9	4.6%	248,581	3,499,860	-	3,748,441
Receivables	10	0.0%	-	-	31,921	31,921
Total assets			**248,581**	**3,499,860**	**31,921**	**3,780,362**
Financial liabilities						
Payables	16	0.0%	-	-	197,710	197,710
Total liabilities			**-**	**-**	**197,710**	**197,710**
Net financial assets (liabilities)			**248,581**	**3,499,860**	**(165,789)**	**3,582,652**

(c) Foreign exchange risk

Given the minimal exposure to foreign currencies, it is the current policy of the consolidated entity not to hedge foreign exchange risk.

(d) Credit risk

There is negligible credit risk on financial assets, excluding investments, of the consolidated entity since there is no exposure to individual customers or countries and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet and is minimised by using recognised financial intermediaries as counterparties.

Notes to the financial statements
for the year ended 30 June 2003

28. Net fair value of financial instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of cash, accounts receivable, accounts payable approximate net fair value.

The net fair value of investments in unlisted shares in controlled entities is determined by reference to the underlying net assets of the respective corporations.

29. Related party disclosures

(a) Directors

The Directors of Intec Ltd during the year were Kenneth J Severs, Philip R Wood, A John Moyes, J Philip Evans and Gordon L Toll.

(b) Directors' remuneration

Details of Directors' remuneration are disclosed in note 6 to the financial statements.

(c) Directors' interests in shares and share options

The relevant interests of Directors and their Director-related entities in shares and share options of the Company as at 30 June 2003 were:

	Ordinary Shares	Options
Kenneth J Severs	829,374	295,173
Philip R Wood	583,539	2,047,035
A John Moyes	832,571	1,756,749
J Philip Evans	- (1)	182,990
Gordon L Toll	- (2)	-

(1) Mr Evans is the President of H. G. Engineering Ltd., a company which has a relevant interest in 2,250,000 shares in Intec Ltd.

(2) Mr Toll is the Deputy Chairman and Director of Ivanhoe Mines Ltd., a company which has a relevant interest in 29,000,000 shares in Intec Ltd.

	KJ Severs	PR Wood	AJ Moyes	JP Evans	GL Toll
Fully paid ordinary shares					
At 30 June 2002	829,374	583,539	532,571	-	-
Acquired during the year	-	-	300,000	-	-
At 30 June 2003	**829,374**	**583,539**	**832,571**	**-**	**-**
Intec Option Plan					
Options expiring 16 July 2007					
At 30 June 2002	-	-	-	-	-
Issued 20 November 2002	295,173	2,047,035	1,756,749	182,990	-
At 30 June 2003	**295,173**	**2,047,035**	**1,756,749**	**182,990**	**-**

Notes to the financial statements
for the year ended 30 June 2003

29. Related party disclosures (continued)

	Consolidated 2003 $	Consolidated 2002 $
(d) Other transactions with Directors and Director-related entities		
Consulting fees		
Amounts paid to H. G. Engineering Ltd, a metallurgical engineering firm of Toronto, Canada, of which Mr J Philip Evans is a director, for consulting engineering work on the Company's copper precipitation removal system, dendritic copper wiper system, the Queensland project feasibility study and the Intec Gold Process, based on normal commercial terms and conditions. These amounts have been excluded from remuneration of Directors.	**61,243**	140,944

(e) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 14 to the financial statements.

	Intec Ltd 2003 $	Intec Ltd 2002 $
(f) Transactions within wholly-owned group		
Management fees		
Intec Ltd oncharged certain expenses to a controlled entity, Intec Copper Pty Ltd. The amounts charged were determined on the basis of an allocation of costs to projects specifically concerned with the Intec Copper Process.	**2,309,000**	1,073,214
(g) Aggregate amounts receivable from controlled entities		
Receivables - Non-Current	**5,542,716**	2,830,744
Provision for doubtful debts	**(5,542,716)**	(2,830,744)
	-	-

The amount due from controlled entities at balance date relates to consulting and other services provided by Intec Ltd to Intec Copper Pty Ltd. The Directors have made a provision for the amount due from Intec Copper Pty Ltd, and also against its investment in the controlled entity, to reflect the fact that the commercialisation of a new technology is uncertain and has risks. The parent entity has therefore made sufficient provisions to reduce its total investment and loans to the controlled entity to equate to the net tangible assets of the controlled entity.

	Intec Ltd 2003 $	Intec Ltd 2002 $
(h) Aggregate amounts payable to controlled entities		
Payables - Non-Current	**2**	-
(i) Aggregate amounts included in the determination of loss from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group		
Write down of receivables	**2,711,972**	1,450,278
Write down of investments	**30,764**	1,100,000

Notes to the financial statements
for the year ended 30 June 2003

30. Notes to statements of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:

	Consolidated		Intec Ltd	
	2003	2002	**2003**	2002
	$	$	**$**	$
Cash	**174,008**	248,581	**169,270**	243,368
Short term deposits	**559,583**	3,499,860	**559,583**	3,499,860
	733,591	3,748,441	**728,853**	3,743,228

(b) Non-cash financing and investing activities

Acquisition of shares in controlled entity, IVNL Gold Pty Ltd.	**-**	-	**2**	-

(c) Reconciliation of operating loss after income tax to net cash outflow from operating activities

Operating loss after income tax	**(3,201,983)**	(3,097,322)	**(3,232,272)**	(3,458,629)
Non cash items included in profit and loss	**-**	-	**-**	-
Depreciation and amortisation	**49,536**	41,376	**49,536**	41,376
Diminution - investments	**-**	-	**30,764**	1,100,000
Diminution - loans to controlled entities	**-**	-	**2,711,972**	1,450,278
Expense recovery from controlled entity	**-**	-	**(2,711,972)**	(1,419,270)
Goodwill on consolidation written off	**-**	1,102,329	**-**	-
Net (profit) loss on sale of plant and equipment	**(2,784)**	2,004	**(2,784)**	2,004
	(3,155,231)	(1,951,613)	**(3,154,756)**	(2,284,241)
Changes in assets and liabilities				
Decrease/(Increase) in receivables	**(12,987)**	(6,762)	**(12,987)**	(7,098)
Decrease/(Increase) in prepayments	**(3,564)**	-	**(3,564)**	-
Increase/(decrease) in other creditors	**124,201**	3,226	**124,201**	(11,818)
Increase/(decrease) in trade creditors	**20,016**	71,743	**20,016**	101,316
Increase/(decrease) in employee entitlements	**74,103**	42,446	**74,103**	42,446
Net cash (outflow) from operating activities	**(2,953,462)**	(1,840,960)	**(2,952,987)**	(2,159,395)

(d) Financing arrangements

The Company and its controlled entities do not have any financing arrangements in place.

Directors' declaration

The Directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) the attached financial statements and notes thereto give a true and fair view of the financial position as at 30 June 2003 and performance for the financial year ended on that date of the Company and the consolidated entity.

In the Directors' opinion,

(c) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors and on their behalf.

Philip R Wood
Managing Director and Chief Executive Officer

Sydney
26 September 2003

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Independent audit report to the members of Intec Ltd

Audit opinion

In our opinion, the financial report of Intec Ltd:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Intec Ltd and the Intec Ltd Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

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 both Intec Ltd (the company) and the Intec Ltd Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Independent audit report to the members of Intec Ltd (continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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

PricewaterhouseCoopers

Richard Bradgate	Sydney
Partner	26 September 2003

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Stock Exchange information

This information was applicable as at 26 September 2003.

Substantial Shareholder	Shareholding
Ivanhoe Mines Ltd. Group (Orian Holding Corp.)	54,141,586
Invia Custodian Pty Limited (controlled by CIBC Australia Limited)	14,859,220
Excel Mining Ltd	12,633,752
Michelle Joy Everett	9,770,000
Peter Kenneth Everett	9,770,000

Distribution of Shareholders Number of ordinary shares held			Number of Holders Shares	Ordinary Shares
1	-	1,000	6	4,597
1,001	-	5,000	38	147,300
5,001	-	10,000	85	784,021
10,001	-	100,000	289	10,832,670
100,001	-	and over	195	221,894,044
Total Shares			**613**	**233,662,632**

At the prevailing market price of shares ($0.06), there were 61 shareholders with less than a marketable parcel of $500 (being 8,000 shares).

	Top 20 Shareholders as at 26 September 2003	Shares	% Shares Issued
1	Orian Holding Corp.	54,141,586	23.17%
2	Invia Custodian Pty Limited	15,283,720	6.54%
3	Eureka Capital Partners Ltd	12,633,752	5.41%
4	Michelle Joy Everett	9,770,000	4.18%
5	Peter Kenneth Everett	9,770,000	4.18%
6	Kizoz Pty Ltd	9,356,372	4.00%
7	Clodene Pty Ltd	5,583,232	2.39%
8	Grizzly Holdings Pty Ltd	3,840,236	1.64%
9	H G Engineering Ltd	3,600,000	1.54%
10	Vedere Nominees Pty Ltd	3,296,786	1.41%
11	William E Conway	2,900,972	1.24%
19	Bluestar Management Pty Ltd	2,432,837	1.04%
12	Beach Partners LP	2,130,168	0.91%
13	Reach Out Pty Ltd	1,922,460	0.82%
14	Smacer Pty Ltd	1,847,661	0.79%
15	Plymouth Holdings Inc	1,793,173	0.77%
16	Roderic Holliday-Smith	1,771,493	0.76%
17	Peter Colin Taylor	1,751,921	0.75%
18	Dallas Cameron Ford and Mary Dorothea Ford	1,740,000	0.74%
20	Bryce Russell	1,600,000	0.68%
	Total of Top 20 share holdings	**147,166,369**	**62.98%**
	Other shares	**86,496,263**	**37.02%**
	Total ordinary shares	**233,622,632**	**100.00%**

Restricted securities – unquoted shares

There are 23,965,992 unquoted ordinary shares where the Company has entered into ASX imposed restriction agreements with the 19 holders of these securities which impose an escrow period of 24 months until 2 May 2004. The parties holding more than 20% of these shares are Peter Kenneth Everett 9,770,000 ordinary shares (40.76% of the unquoted shares escrowed until 2 May 2004) and Michelle Joy Everett 9,770,000 ordinary shares (40.76% of the unquoted shares escrowed until 2 May 2004).

Stock Exchange information (continued)

Summary of options issued

There are six holders of 1,275,000 unquoted options which have an exercise price of $0.49625 and expire on 30 June 2009. Holders of these options with in excess of 20% of this class are Steven Joseph Koroknay with 400,000 options (31.37%) and Denis Michael Hanley with 400,000 options (31.37%).

There are 17 holders of unquoted options issued in July 2002 and November 2002 under the Intec Option Plan. The Board of Intec has granted 7,301,956 options and the options are for a period of five years, expire on 16 July 2007 and the option exercise price is $0.24625. Holders of these options with in excess of 20% of this class are Philip Ronald Wood with 2,047,035 options (28.03%) and Anthony John Moyes with 1,756,749 options (24.06%).

Statement under ASX Listing Rule 4.10.19

From the date of admission of the Company's shares on ASX (2 May 2002) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates and focussed initially on project feasibility studies – particularly the studies for initial 25,000 tonnes of copper per annum plants in Queensland and Port Hardy, British Columbia and the targeted marketing of the Intec Processes elsewhere in Australia and internationally. In the financial year ended 30 June 2003 the emphasis of expenditure was on the design and operation of a new copper electrowinning cell and the development of the Intec Gold Process.

Voting rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Option holders have no voting rights until the options are exercised.

Corporate governance

The Directors of Intec are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance these sometime competing objectives in the best interests of the Company as a whole. Their principal focus is to enhance the interests of shareholders and to ensure that the Company, including its controlled entities, is properly managed. The Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council in March 2003. At its September 2003 meeting the Board examined the Intec corporate governance practices compared to the best practice principles proposed by the ASX Corporate Governance Council. While Intec will align itself with the principles proposed by ASX, it is mindful that there may be some instances where compliance is not practicable for a company of Intec's current small size.

Functions of the Board

The functions of the Board include:

- review and approval of corporate strategies, the annual budget and financial and business plans;
- overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
- monitoring financial performance, including approval of the annual and half-year financial reports and liaison with the Company's auditor;
- appointment of, and assessment of the performance of, the Managing Director and Chief Executive Officer and the other members of the senior management team. The Board has formed a Remuneration Committee made up of two non-executive Directors to oversee this function;
- ensuring that there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the Company;

Corporate governance (continued)

- ensuring that the significant risks facing the Company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place; and
- ensuring that shareholders are appropriately informed of the progress of the Company.

A description of the Company's main corporate governance practices is set out below.

The Board of Directors

The Board will be comprised of both Executive and Non-executive Directors. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman should be a Non-executive Director. The Board should continuously review its performance and mix of skills to ensure that they are appropriate to allow the Board to maximise its effectiveness and its contribution to the Company.

Conflict of interests

The Directors, as either employees of, or consultants to, the Company or through entities connected with them, provide services to the Company. In accordance with accepted corporate governance practice, the Directors concerned have declared their interests in those transactions to the Company and take no part in decisions relating to them.

Independent professional advice

Directors have the right, in connection with their duties and responsibilities to the Company, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Committees

The Audit Committee was formed in May 2001 and held its first meeting in September 2001. Messrs Severs and Toll are members of the audit committee, which meets with the Company's external auditors at least once during each half-year. The Audit Committee reviews the Company's financial systems, accounting policies, half-year financial statements and Annual Report and meets prior to the signing of the Auditor's Report.

The Prospectus Due Diligence Committee in relation to the Company's recent Entitlements Issue was formed in July 2003 when it held its first meeting. Messrs Wood, Moyes and Rodgers (the Company's Chief Financial Officer), were members of the Prospectus Due Diligence Committee, together with Mr Waring (the Company Secretary), and a representative of the Joint Underwriters and the principal sub-underwriter. The Committee sought advice from various members of the Company's senior management and consultants as required. The Prospectus Due Diligence Committee minutes were forwarded to the Non-executive Directors and the Committee held its final meeting on 10 September 2003 prior to the successful closure of the Entitlements Issue.

Risk assessment and management

The Board acts to identify significant areas of business risk and opportunity, implement policies to manage such risk, establish the maintenance of appropriate ethical standards and in particular:

- ensure compliance in legal, statutory, and ethical matters;
- monitor the business environment; and
- address shareholder concerns and enquiries.

Securities Trading and Trading Windows Policy

Directors, employees and key consultants must consult with the Chairman or the Managing Director and Chief Executive Officer before dealing in shares of the Company. Purchases or sales in the Company's shares by Directors, employees and key consultants should preferably be carried out during the "window" period commencing two days following and ending 30 days following the date of announcement of the Company's annual or half yearly results or a major announcement leading, in the opinion of the Board, to an informed market. However, Directors, employees and key consultants are prohibited from buying or selling Intec shares at any time if they are aware of price sensitive information that has not been made public.

$ means Australian dollars, except where other currencies are indicated.

Corporate directory

Directors

Kenneth J Severs (Non-executive Chairman)
Philip R Wood (Managing Director & Chief Executive Officer)
A John Moyes (Technical Director)
J Philip Evans (Non-executive Director)
Ian W Ross (Non-executive Director)
Gordon L Toll (Non-executive Director)

Company Secretary

Robert J Waring

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Griffith Hack
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North Sydney NSW 2060 Australia

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Stock Exchange Listing

Intec Ltd shares are listed on the Australian Stock Exchange under the code INL. The home branch is Sydney.

Intec Ltd ABN 25 001 150 849

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