

# Intec Ltd

ABN 25 001 150 849

## Preliminary Final Report in accordance with Appendix 4E

Financial year ended 30 June 2005

### Results for announcement to the market

\$A'000

Revenues from ordinary activities	up	19%	to	2,215
Loss from ordinary activities after tax attributable to members	up	75%	to	(3,561)
Net loss for the period attributable to members	up	75%	to	(3,561)
<b>Dividends</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Final dividend		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢
Record date for determining entitlements to the dividend				Not applicable
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
<b>During the year to 30 June 2005, the Company's main activity was the continued development of the Hellyer Metals Project, including completion of pilot plant operations and a pre-feasibility study, construction of the Burnie demonstration plant and the commencement of a bankable feasibility study by WorleyParsons.</b>				

## Consolidated statement of financial performance

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Revenues from ordinary activities	2,215	1,869
Expenses from ordinary activities	(5,776)	(4,448)
<b>Loss from ordinary activities before tax</b>	<b>(3,561)</b>	<b>(2,579)</b>
Income tax on ordinary activities	-	545
<b>Loss from ordinary activities after tax</b>	<b>(3,561)</b>	<b>(2,034)</b>
<b>Net loss for the year attributable to members</b>	<b>(3,561)</b>	<b>(2,034)</b>

## Notes to the consolidated statement of financial performance

### Revenue and expenses from ordinary activities

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Revenue from sales or services	49	49
Interest revenue	297	72
Government grants received	649	871
Shareholders contributions received	-	875
Proceeds from sale of tenements	1,200	-
Other revenue	20	-
Equity share of losses of associated companies	(121)	-
Details of relevant expenses:		
Administration expenses	(443)	(425)
Employee benefits expense	(2,749)	(2,278)
Rental expense	(215)	(219)
Engineering and other consultants	(22)	(160)
Hellyer mill costs	(741)	(227)
Research and development expenses	(377)	(428)
Marketing expense	(153)	(181)
Other expenses from ordinary activities	(746)	(406)
Depreciation and amortisation	(209)	(123)

## Consolidated statement of financial position

	30 June 2005 \$A'000	30 June 2004 \$A'000
<b>Current assets</b>		
Cash	4,545	1,105
Receivables	204	261
Tax assets	-	46
Prepayments	13	9
<b>Total current assets</b>	<b>4,762</b>	<b>1,421</b>
<b>Non-current assets</b>		
Receivables	243	-
Property, plant and equipment (net)	5,785	1,689
Equity investment in associated entity	1,079	-
Exploration expenditure	-	30
Intangible assets	10	10
<b>Total non-current assets</b>	<b>7,117</b>	<b>1,729</b>
<b>Total assets</b>	<b>11,879</b>	<b>3,150</b>
<b>Current liabilities</b>		
Payables	1,316	516
Provisions	152	101
<b>Total current liabilities</b>	<b>1,468</b>	<b>617</b>
<b>Non-current liabilities</b>		
Provisions	106	65
<b>Total non-current liabilities</b>	<b>106</b>	<b>65</b>
<b>Total liabilities</b>	<b>1,574</b>	<b>682</b>
<b>Net assets</b>	<b>10,305</b>	<b>2,468</b>
<b>Equity</b>		
Contributed equity	45,242	33,844
Retained profits (accumulated losses)	(34,937)	(31,376)
<b>Total equity</b>	<b>10,305</b>	<b>2,468</b>

## Consolidated statement of cash flows

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
<b>Cash flows related to operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	74	56
Payments to suppliers and employees (inclusive of goods and services tax)	(5,165)	(4,152)
Interest and other items of similar nature received	297	72
Income tax refund	-	545
Government grants received	649	871
Shareholder contribution received	-	875
<b>Net operating cash flows</b>	<b>(4,145)</b>	<b>(1,733)</b>
<b>Cash flows related to investing activities</b>		
Payment for purchases of property, plant and equipment	(3,806)	(1,710)
Payments for tenement security deposits	(4)	(239)
Payments for exploration expenditure	(3)	(30)
Payments for intangibles	-	(10)
<b>Net investing cash flows</b>	<b>(3,813)</b>	<b>(1,989)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from issues of shares	11,959	4,279
Equity raising expenses	(561)	(186)
<b>Net financing cash flows</b>	<b>11,398</b>	<b>4,093</b>
<b>Net increase (decrease) in cash held</b>	<b>3,440</b>	<b>371</b>
Cash at the beginning of the financial year	1,105	734
<b>Cash at the end of the financial year</b>	<b>4,545</b>	<b>1,105</b>

### Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

	30 June 2005 \$A'000	30 June 2004 \$A'000
Sale of exploration tenements the consideration for which was 8,000,000 shares in Resource Finance and Investments Limited.	1,200	-

### Reconciliation of cash

Reconciliation of cash at the end of the year (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Cash on hand and at bank	428	335
Other - bank accepted bills of exchange	4,117	770
<b>Total cash at end of year</b>	<b>4,545</b>	<b>1,105</b>

## Reconciliation of operating loss after income tax to net cash outflow from operating activities

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
<b>Operating loss after income tax</b>	(3,561)	(2,034)
Non cash items and non operating cash flows included in profit and loss		
Share of associate's loss	121	-
Depreciation and amortisation	209	122
Net profit on sale of tenements	(1,167)	-
	<b>(4,398)</b>	<b>(1,912)</b>
Decrease/(increase) in receivables	(86)	(23)
Decrease/(increase) in prepayments	(4)	(6)
Increase/(decrease) in trade creditors	(205)	175
Increase/(decrease) in other creditors	456	-
Increase/(decrease) in employee entitlements	92	33
<b>Net operating cash flows</b>	<b>(4,145)</b>	<b>(1,733)</b>

## Dividends

Date the dividend is payable

Not applicable
----------------

Record date to determine entitlements to the dividend

Not applicable
----------------

No final dividend has been declared.

## Dividend Reinvestment Plans

There are no dividend reinvestment plans in operation.

## Consolidated retained earnings (accumulated losses)

	Year ended 30 June 2005 \$A'000	Year ended 30 June 2004 \$A'000
Retained profits (accumulated losses) at the beginning of the financial year	(31,376)	(29,342)
Net loss attributable to members	(3,561)	(2,034)
<b>Retained profits (accumulated losses) at end of financial year</b>	<b>(34,937)</b>	<b>(31,376)</b>

## Control gained or loss of control over entities having material effect

### Control gained over entities having material effect

Name of entity (or group of entities)	Not applicable
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	Not applicable
Date from which such profit has been calculated	Not applicable
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Not applicable

### Loss of control of entities having material effect

Name of entity (or group of entities)	Not applicable
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) to the date of loss of control.	Not applicable
Date to which such profit (loss) has been calculated	Not applicable
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	Not applicable
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	Not applicable

## Details of associates and joint venture entities

### Investment in associates accounted for using the equity method

#### (a) Details of associate:

Name of Associate	Principal Activities	Ownership interest		Carrying amount	
		2005 %	2004 %	2005 \$,000	2004 \$,000
Resource Finance and Investments Limited	Mineral Exploration	43.8356	-	1,079	-

#### (b) Share of reserves attributable to associates:

Share of associates' profits taken up in the consolidated financial statements		
Operating profit (loss) before tax	(121)	-
Income tax expense	-	-
Net operating profit after income tax as shown in the Statement of Financial Performance	(121)	-
Retained earnings at beginning of period	-	-
Retained earnings at end of period	(121)	-

#### (c) Movement in equity accounted investment

Carrying amount of investment at beginning of financial year	-	-
Share of associates' current year losses after tax (refer (b))	(121)	-
Acquisition of investment	1,200	-
Carrying amount of investment at end of financial year	1,079	-

### Summary of financial position of associated entity:

Current assets	544	-
Current liabilities	(71)	-
Non-current assets	1,451	-
	2,027	-

---

## Other notes to the condensed financial statements

### Ratios

#### Profit before tax / revenue

Consolidated loss from ordinary activities before tax as a percentage of revenue

(160.76)

(137.99)

#### Profit after tax / equity interests

Consolidated net loss from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the year

(34.55)

(82.41)

### NTA Backing

Net tangible assets per ordinary share

2.42 cents

0.99cents

### Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: Earnings Per Share are as follows.

	Year ended 30 June 2005	Year ended 30 June 2004
Basic earnings per share (cents)	(1.02)	(0.92)
Diluted earnings per share (cents)	(1.02)	(0.92)
Weighted average number of ordinary shares outstanding during the period used in calculating the basic and diluted EPS.	349,602,479	221,713,953

### Basis of preparation

The financial report 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 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 consolidated entity generated operating losses of \$3,560,701 and cash outflows from operations of \$4,145,127 in the year ended 30 June 2005 as the consolidated entity continues to work towards the commercialisation of the Intec Processes. As of balance date, the consolidated entity had net assets of \$10,305,334 and cash balances of \$4,544,757. The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts as they fall due in future years is dependent upon:

- (i) the Consolidated entity being successful in negotiating and obtaining additional funding;
- (ii) the Consolidated entity successfully implementing its business plan and in particular progressing the commercialisation of the Intec Processes; and
- (iii) the Consolidated entity achieving success in effecting commercial transactions with industry participants.

---

As a result of these matters, there is significant uncertainty as to whether the consolidated entity will continue as a going concern, and therefore, whether assets will be realised and liabilities and commitments settled in the normal course of business and at the amounts stated in the financial report.

However, 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 consolidated entity'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 consolidated entity 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 2005.

**Material factors affecting the revenues and expenses of the economic entity for the current year.**

Operation of the demonstration plant for the Hellyer Metals Project  
Conduct of the bankable feasibility study.

**A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).**

Nil

**A discussion of trends in performance**

**Intec's corporate strategy is to acquire interests in minerals projects where its technology creates additional value. This is exemplified by the Hellyer Metals Project acquisition which will continue to be the focus of Intec's activities in the medium term. The Company is also actively developing the Intec Gold Process for refractory gold concentrates.**

There are no franking credits available.

The company is not expected to declare a dividend in the short term.

## **Implementation of Australian Equivalents of International Financial Reporting Standards ('AIFRS')**

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

---

The consolidated entity's management has analysed most of the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adoption AIFRS are shown for each key area. Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change due to:

1. Amended or additional standards or interpretations may be issued by the AASB and the IASB
2. Emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group (UIG) Interpretations

Therefore, until the consolidated entity prepares its full AIFRS financial statements, the possibility cannot be excluded that the major changes shown below may have to be adjusted.

(i) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

It is not expected that there will be a financial impact as a result of the change in accounting policy.

(ii) Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.

The consolidated entity has elected to adopt the exemption under AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards* and has not valued options issued to employees after 7 November 2002 which vested before 1 January 2005. Under AASB2 *Share-based Payment*, equity-based compensation to employees that were granted after 1 January 2005 will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

Management have estimated an expense of \$247,731 will be required to be recognised in the income statement for the year ended 30 June 2005 with a corresponding credit made to the an option reserve in equity for comparative purposes.

---

(iii) Impairment of Assets

The standard AASB 136 *Impairment of Assets* will require a change in accounting policy to determine if impairment indicators exist, and if they do exist then the consolidated entity will perform an impairment assessment focussing on the discounted cashflows of the related cash generating unit, to determine whether any assets need to be written down. This will result in a change to the current accounting policy, under which the relevant cashflows are not discounted. Whilst a full assessment has not yet been performed management do not believe that any assets were impaired on transition or at 30 June 2005.

(iv) Presentation of Financial Statements

There will be presentation impact as required under various standards. Key impacts include:

Under AIFRS, government grants, interest revenue and shareholder contributions are classified as other income. This is in contrast to the current Australian GAAP treatment under which such items are classified as revenue. This will require a reclassification in the financial statements.

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil. If the policy required under AIFRS had been applied during the year ended 30 June 2005, the net gain on the sale of tenements of \$1,167,000 would have been disclosed in other income, as opposed to current treatment in which the proceeds from the sale of \$1,200,000 have been recognised in revenue and the carrying amount of the tenements sold of \$33,000 is disclosed as an expense.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify all of the impacts of the transition to AIFRS on the consolidated entity's financial position and reported results.

## Compliance statement

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX and the accounts upon which the report is based. This report gives a true and fair view of the matters disclosed. This report is based on accounts which are in the process of being audited.

The entity has a formally constituted audit committee.

Sign here: *Philip R Wood*

Date: 31 August 2005

Managing Director & Chief Executive Officer

Print name: Philip R Wood