

Superior and Sustainable Metals Production

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Companies Announcements Office
Australian Stock Exchange Limited

Quarterly Activities Report: Appendix 4C December 2005

On behalf of Intec Ltd (ASX code: INL, or the Company), I now attach the December 2005 Quarterly Report for Entities Admitted on the Basis of Commitments (Appendix 4C).

BURNIE DEMONSTRATION PLANT (BDP)

Intec Hellyer Metals Pty Ltd (IHM), the wholly-owned subsidiary of INL, owns and operates the Hellyer Metals Project demonstration plant at Burnie, Tasmania (BDP), which is still in its commissioning phase. Commissioning will have been completed when the BDP achieves 'steady-state', which is now not expected before end-March 2006. Steady-state operation is required to generate the engineering design data for the Hellyer Metals Project bankable feasibility study (BFS) managed by WorleyParsons (ASX code: WOR), which is now not expected to be available before the September 2006 quarter.

During the December 2005 quarter, a number of processing and equipment issues slowed progress at the BDP, which was shut down for two weeks over the Christmas – New Year period to install the necessary equipment modifications to correct these problems as explained below.

- Due to the relatively small size of the BDP, heat losses through tank walls and liquor pump lines is much greater than for a commercial size plant, which had led to operating temperatures being too low in several unit operations. This was corrected by the installation of a portable steam boiler (which itself has proven operationally unreliable) and heat exchangers in the critical circuits of Iron Precipitation and Base Metals Leach, which are now operating at design temperature.
- Again due to the small size of the BDP, and also poor equipment selection and manufacture, the zinc dust screw feeders that are critical components of the purification circuit have proved unreliable and have consequently made it difficult to control the quality of both the lead/silver cement by-product and the liquor advancing to the zinc electrowinning cell. The feeders have been replaced with improved-design units that are now finally operating reliably.
- The controllability of the Iron and Copper Precipitation circuits needed to be improved and new pipework was installed to directly deliver the 'Halex' lixiviant from the electrowinning cell to the reactors (rather than indirectly via an external scrubber/contacter). This new arrangement is now working satisfactorily.

- The gold carbon columns have been relocated to improve accessibility and the gold recovery circuit is only now being re-commissioned.

In spite of the delays, the BDP has operated continuously at high availability with leach extraction efficiencies at or near target. The co-treatment of both Hellyer Tails and Electric Arc Furnace Dust (EAFD) (supplied by each of Smorgon Steel Group Limited (ASX code: SSX) and Onesteel Limited (ASX code: OST)) was commenced at the end of October 2005 and has been maintained continually with excellent results.

The 20 tonnes of 'Zeehan Slag' sent to Ammtec (ASX code: AEC) in Perth has been returned after fine grinding and is currently stored in the Hellyer concentrate shed. It will be introduced into the Zinc Secondaries Leach section of the BDP once the steady-state campaign on Hellyer Tails and EAFD has been completed.

In terms of product recovery:

- Zinc has been electrowon on 'super-jumbo' cathodes throughout the December 2005 quarter at current densities ranging from 440 to 600 amps/m² and Prime Western Grade zinc (ASTM B 06) has been produced, although not consistently due to the problems already explained with feeding zinc dust into the purification circuits. These problems have allowed certain impurities to get into the electrowinning cell electrolyte, causing significant dendritic growth to be evident on the cathode surface, thus hampering optimisation of the product stripping cycle.
- Lead/silver cement has been continuously produced and stockpiled although the desired specification has not yet been met and briquetting to provide samples to lead/silver refinery consumers has been postponed until this specification is met.
- Copper oxychloride has been continuously produced and will shortly be sent to AEC in Perth for processing via ion exchange into value-added copper sulphate.
- Loading of gold onto enclosed carbon columns will commence shortly as previously explained.

Intec has appointed Mr Mick Ryan as Operations Manager, Burnie Demonstration Plant to take on the responsibility for achieving all of the steady-state process outcomes required of the BDP in order to successfully complete the BFS. Over his 30 year career Mr Ryan has often been intensively involved in the development, design, commissioning and operating of hydrometallurgical plants at the core of various Australian mining project developments.

As previously advised, Macquarie Bank Limited (ASX Code: MBL), the intending lead manager of the Hellyer Metals Project financing) appointed Behre Dolbear Australia (BDA) to undertake technical due diligence on MBL's behalf in relation to the BDP. As the BDP proceeds towards steady-state operations, BDA's representative (Mr Rolly Nice) is involved to the extent necessary in order to ensure that steady-state operations produce outcomes of a sufficient standard to meet the technical requirements of intending project financiers.

HELLYER METALS PROJECT BANKABLE FEASIBILITY STUDY

The delay in the achievement of steady-state operations at the BDP has flowed through to a number of components of the BFS. In particular, the engineering design component of the BFS, which is principally reliant on the generation of steady-state data from the BDP, has been delayed. This has a consequent flow-on effect on some other aspects of the BFS such as the completion of the environmental approval process. However, those aspects of the BFS which are not reliant on generation of data from the BDP are being progressed as appropriate. These include equipment selection, tailings resource confirmation, tailings recovery plan, new tailings dam location and design, certain environmental baseline surveys, power supply options and product marketing.

It is now expected that the BFS will be completed in the September 2006 quarter.

BASS METALS LTD (ASX codes: BSM and BSMO)

During the December 2005 quarter, the former Resource Finance and Investments Limited changed its name to Bass Metals Ltd of which INL is its largest shareholder (22.1%). The results of BSM's initial drilling at both Que River and Mt Charter have been highly encouraging. These projects are in the near vicinity of INL's Hellyer Mill and INL anticipates making suitable parts of the Hellyer Mill available to BSM as required for near term processing of the polymetallic ores from these projects.

CORPORATE**Cash Balance**

The Company's cash balance at 31 December 2005 was A\$252,000. During the quarter the Company made an initial drawdown of A\$1 million under the A\$2.5 million MBL Working Capital Facility Agreement which is now almost fully drawn down.

Electric Arc Furnace Dust (EAFD) Stockpile Agreement with Smorgon Steel (SSX)

On 6 January 2006, INL and SSX jointly announced to ASX that they had entered into a Heads of Agreement for the transfer of SSX's 22,000 tonnes EAFD Stockpile warehoused in western Melbourne. Completion of this transaction, including payment by SSX to INL of a \$2.42 million treatment fee, is imminent and both companies look forward to broader future co-operation in this emerging sector.

Allegiance Mining NL (ASX code: AGM)

Preparations are nearly completed for the Hellyer ball mill grinding trial of 5,000 tonnes of AGM's nickel-bearing Avebury ore. This trial is expected to be completed by the end of February 2006 and to lead, assuming success, to the sale of the Hellyer ball mill and ancillaries to AGM, thereby shortening the lead time to AGM's first production of high grade nickel concentrate at Avebury.

Additional Funding

With the BDP expected to run at a high monthly 'burn rate' continuously through to mid-2006 and the related delays to completion of the BFS, the Company requires significant working capital for calendar 2006 until completion of the Hellyer Metals Project financing.

The EAFD Stockpile transaction with SSX and the likely sale of the Hellyer ball mill to AGM may cover INL's near term working capital requirements, but the Company anticipates an equity-based capital raising early during the June 2006 quarter.

OUTLOOK

While the delays experienced at the BDP are naturally frustrating, identification at this stage and scale of the various factors giving rise to these delays is the reason for building the BDP in the first place.

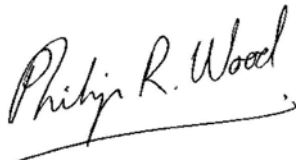
I take responsibility for having underestimated the time, funding and human resources required for the BDP to achieve its objectives, but am nonetheless fully confident that it will do so in the next few months.

The metals price environment (particularly the price of zinc, which will represent about 60% of the Hellyer Metals Project revenue stream) continues to be extremely strong and the economics of the Hellyer Metals Project emerging from the BFS are therefore likely to remain very robust.

The Company is determined to enhance the market's confidence in its technology and project by delivering the required process outcomes at the BDP, whereupon INL will warrant a significant re-rating.

Yours faithfully

Intec Ltd

A handwritten signature in black ink that reads "Philip R. Wood". The signature is written in a cursive style and is positioned above a horizontal line.

Philip R Wood

Managing Director and Chief Executive Officer

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Intec Ltd

ABN

25 001 150 849

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers		
1.2 Payments for:		
(a) staff costs	(463)	(1,101)
(b) advertising and marketing	-	(48)
(c) research and development	-	(404)
(d) bankable feasibility study	(1,342)	(1,342)
(e) other working capital	(364)	(1,128)
(f) administration and corporate costs	(361)	(635)
(g) cost of sales		-
1.3 Dividends received		-
1.4 Interest and other items of a similar nature received	15	50
1.5 Interest and other costs of finance paid		-
1.6 Income taxes (paid)/received		-
1.7 Other	9	10
Net operating cash flows	(2,506)	(4,598)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current quarter \$A'000	Year to date (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	(2,506)	(4,598)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	(1,195)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	-	(1,195)
1.14	Total operating and investing cash flows	(2,506)	(5,793)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	500	500
1.16	Proceeds from R&D Start Grant	-	-
1.17	Proceeds from borrowings	1,000	1,000
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other – share issue expenses	-	-
	Net financing cash flows	1,500	1,500
	Net increase (decrease) in cash held	(1,006)	(4,293)
1.21	Cash at beginning of quarter/year to date	1,268	4,545
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	252	252

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	116
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

The salary paid to the two executive directors and the directors' and consultancy fees paid to the four non-executive directors who held office during the quarter amounted to \$116,100.

Non-cash financing and investing activities

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

None

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities ¹	2,500	1,000
3.2	Credit standby arrangements	Nil	Nil

¹ The balance of the facility of \$1.5 million will be drawn down during the current quarter.

Reconciliation of cash

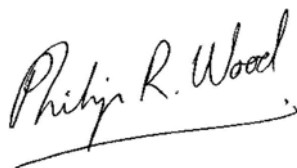
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	252	44
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other – bank negotiable certificates of deposit	-	1,222
Total: cash at end of quarter (item 1.23)	252	1,268

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Not Applicable	Not Applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does/~~does not~~ give a true and fair view of the matters disclosed.



Sign here:

(Director/~~Company Secretary~~)

Date: 31 January 2006

Print name: Philip R Wood

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.