

## Intec Limited 28 Feb, 2007

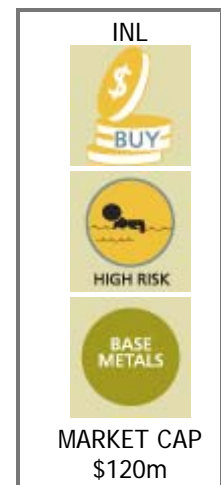
### Strategic Positioning in Jervois Mining INL; Buy reaffirmed up to 20 cents

Intec has surprised the market, and the management of its target, in announcing it has secured a 14.56% interest in Jervois Mining (ASX code: JRV) through on market purchases and participation in a recent Jervois Mining rights issue and associated shortfall. On a fully diluted basis, Intec's average entry price is around 1.16 cents compared to the current Jervois share price around 3 cents. This means that Intec has spent around \$2.3m accumulating this interest.

*"Intec has taken a strategic position in Jervois Mining to encourage that company to use the Intec Nickel Process in the development of its Young nickel resource. This is a longer term project and the main game is to focus on the development of the Intec Zinc Process at Hellyer using the cash flows from Polymetal's Hellyer tailings dam project."*

Intec's strategy has been to deal itself into the development of Jervois' Young nickel laterite project and believes it could accelerate progress of the Young deposit with the application of the Intec nickel process. Jervois also has the Nyngan nickel laterite resource which could be developed at a later stage.

The following table outlines the purchases by Intec and indicate that the company commenced buying Jervois Mining shares back in September 2006 and has been consistently buying shares on market since that time.



Date of change	Person whose relevant interest changed	Nature of change	Consideration in relation to change	Number of securities	Class
21-Sep-06	Intec Ltd	On market	\$21,340.00	1,940,000	Ordinary
25-Sep-06	Intec Ltd	On market	\$660.00	60,000	Ordinary
26-Sep-06	Intec Ltd	On market	\$167,482.85	12,883,296	Ordinary
28-Sep-06	Intec Ltd	On market	\$40,517.15	3,116,704	Ordinary
2-Nov-06	Intec Ltd	On market	\$10,000.00	1,000,000	Ordinary
21-Nov-06	Intec Ltd	Rights issue entitlement	\$72,000.00	7,200,000	Ordinary
22-Nov-07	Intec Ltd	On market	\$2,641.25	264,125	Ordinary
23-Nov-07	Intec Ltd	On market	\$15,600.00	1,560,000	Ordinary
24-Nov-06	Intec Ltd	On market	\$6,786.16	678,616	Ordinary
29-Nov-06	Intec Ltd	On market	\$20,064.42	2,006,442	Ordinary
1-Dec-06	Intec Ltd	On market	\$488.17	48,817	Ordinary
1-Dec-06	Intec Ltd	On market	\$4,420.00	442,000	Ordinary
4-Dec-06	Intec Ltd	On market	\$4,290.16	429,016	Ordinary
7-Dec-06	Intec Ltd	On market	\$3,950.01	395,001	Ordinary
8-Dec-06	Intec Ltd	On market	\$750.00	75,000	Ordinary
11-Dec-06	Intec Ltd	On market	\$30,654.28	3,065,428	Ordinary
12-Dec-06	Intec Ltd	On market	\$1,217.24	121,724	Ordinary
13-Dec-06	Intec Ltd	On market	\$9,138.31	913,831	Ordinary
22-Jan-07	Intec Ltd	Rights issue shortfall	\$300,000.00	30,000,000	Ordinary
22-Jan-07	Intec Ltd	On market	-\$195,000.00	-15,000,000	Ordinary
22-Jan-07	Intec Ltd	On market	-\$75,000.00	-5,000,000	Ordinary
22-Jan-07	Intec Ltd	On market	-\$39,294.29	-2,455,893	Ordinary
22-Jan-07	Intec Ltd	On market	-\$133,356.15	-9,525,439	Ordinary
22-Jan-07	Intec Ltd	On market	-\$80,000.00	-5,000,000	Ordinary
23-Jan-07	Intec Ltd	On market	-\$6,643.85	-474,561	Ordinary
29-Jan-07	Intec Ltd	On market	\$63,453.88	4,532,420	Ordinary
30-Jan-07	Intec Ltd	On market	\$34,546.12	2,467,580	Ordinary
31-Jan-07	Intec Ltd	On market	\$105,000.00	7,000,000	Ordinary
1-Feb-07	Intec Ltd	On market	\$105,000.00	7,000,000	Ordinary
2-Feb-07	Intec Ltd	On market	\$84,000.00	6,000,000	Ordinary
7-Feb-07	Intec Ltd	On market	\$28,000.00	2,000,000	Ordinary
16-Feb-07	Intec Ltd	On market	\$28,986.01	2,070,429	Ordinary
21-Feb-07	Intec Ltd	On market	\$259,372.26	17,291,484	Ordinary
21-Feb-07	Intec Ltd	Rights issue shortfall	\$200,000.00	20,000,000	Ordinary
21-Feb-07	Intec Ltd	Rights issue shortfall	\$500,000.00	50,000,000	Ordinary

Source: Intec

Earlier this month Jervois announced that it had signed a Memorandum of Understanding (MOU) with Guangdong Guang Ye Assets Management Co Limited (Guang Ye) in relation to the possible future development of the Young nickel/cobalt laterite project. Guang Ye is wholly owned by the Guangdong Provincial government in China and essentially the MOU states that:

- Guang Ye believes that the development of the Young project would fit well with its nickel processing operations.
- Jervois has given a commitment that it will not deal with any other Chinese entity while Guang Ye is considering its decision. This commitment would last for 6 months.
- Jervois undertook to provide Guang Ye with a business plan which would cover items like projected capital expenditure and operating expenses and any and all technical data pertaining to the project.
- Guang Ye representatives including technical personnel will visit the Young project and test laboratories at the end of March or early April 2007.
- Guang Ye will assess all aspects of the project and advise Jervois if it wishes to proceed with a joint venture agreement.

Jervois and Guang Ye had agreed to move the project forward as quickly as possible.

#### Intec's Strategy

Intec reports that it is looking forward to productive discussions shortly with the Board and Management of Jervois Mining in order to progress mutually beneficial outcomes for the two companies and their shareholders, and expects to provide an update shortly thereafter. Jervois has agreed to a meeting on the 9th March.

Jervois Mining has been investigating potential processing routes using a chloride leach and has engaged a Canadian consultant, Bryn Harris, who has patented a suitable extraction process. This process is not dissimilar to the Intec Nickel process and it is likely both processes would be suitable for treating the ore.

#### Discussion and Recommendation

Intec has acquired a strategic position in Jervois Mining, designed to ensure that Jervois' Young nickel laterite project utilises the Intec Nickel Process as opposed to competing technologies. While the company has spent \$2.3m gaining this 'option', the Young Nickel Project is a long term play and we envisage that there is room for Jervois Mining, Intec and Guang Ye to participate in this project, particularly given that the funding is likely to be significant. We expect the parties can reach an amicable solution and alleviate the need for further corporate activity.

Intec is now cash flow positive as the Hellyer concentrate tailings project moves into full swing and we expect the zinc price to remain at healthy levels around US\$1.50/lb. This provides Intec with cash flow to develop its Intec zinc process and gain market credibility.

Hence, Stock Resource recommends Buying Intec up to 20 cents for Members without current exposure.

#### Share Price Graph



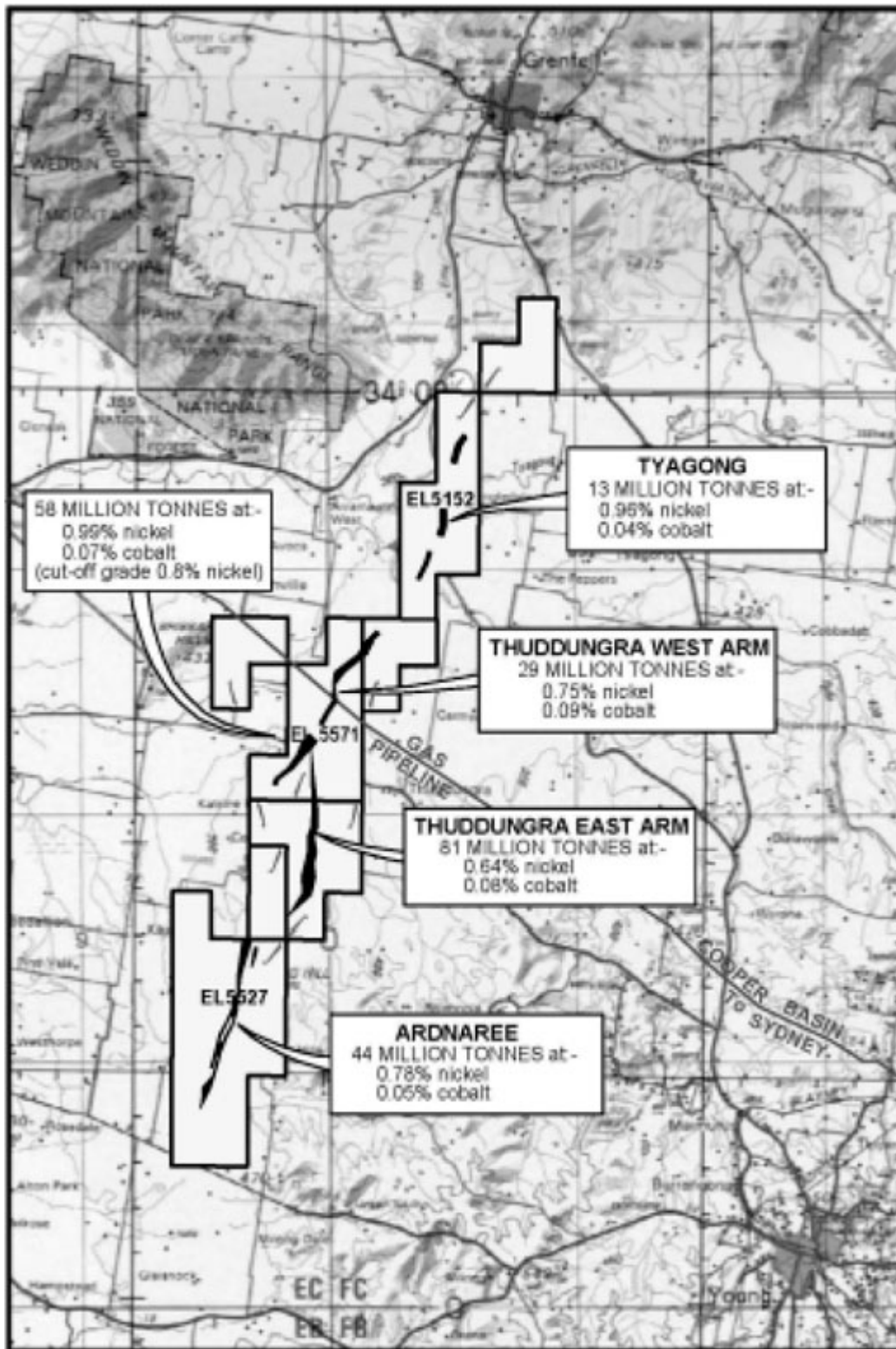
#### Background on Young Nickel Project

The company has held the Young nickel tenements since October 1998 and commenced exploration drilling by the end of that month. In its recent prospectus, it summarised its work to date as follows:

- Arranging access and compensation agreements with landowners - the area comprises freehold land that is not affected by native title claims;
- Conducting geological and ground magnetic surveys over the prospective areas;
- Aircore reverse circulation drilling with complementary logging and chemical assaying of the samples, resulting in the definition of the above Resource Statement and providing samples for metallurgical testing;
- Diamond drilling to produce in-situ samples for metallurgical work and for rock density evaluation, also to check on the aircore drilling assay results;
- Calweld drilling (large diameter, 0.65m, bucket drilling system) to produce 10 tonnes of representative sample for metallurgical testing;
- Metallurgical testing in Australia, Canada and USA to optimise the most favourable process to produce nickel, cobalt, scandium and iron ore from the laterites; and

- Feasibility studies, especially concerning the metallurgical processing since this is by far the most costly part of the planned operation.

The location of the tenements and contained resources are outlined on the following map.



Source: Company

The nickel at Young originates in a serpentinite rock belt that lies close to, or in contact with the Young Granite.

The fresh serpentinite rock contains about 0.2% Ni. In the geological 'Tertiary Period', the serpentinite rock was attacked by acid groundwater fluids from the granite in a weathering process that resulted in the removal from the serpentinite of various soluble chemical elements resulting in the upgrading of the heavy metals, such as nickel, left behind in the weathered laterite zone. Thus serpentinite rock that originally contained 0.2% Ni can be upgraded to 1.0% Ni if the rock mass is reduced by a factor of 5.

A detailed resource statement is outlined below.

### Resource Statement

Category	Cut-off Grade %Ni	Tonnes	Grade		Overburden Ratio
			%Ni	%Co	
Indicated	0.6% Ni	140 million	0.72	0.07	2.36:1
Inferred	0.6% Ni	27 million	0.71	0.07	3.32:1
<b>Total</b>	<b>0.6% Ni</b>	<b>167 million</b>	<b>0.72</b>	<b>0.07</b>	<b>2.51:1</b>
Including:					
Indicated	0.8% Ni	50 million	0.99	0.07	4.90:1
Inferred	0.8% Ni	8 million	1.01	0.07	8.13:1
<b>Total</b>	<b>0.8% Ni</b>	<b>58 million</b>	<b>0.99</b>	<b>0.07</b>	<b>5.35:1</b>
In addition, Low Grade:					
Indicated	0.3% Ni	95 million	0.38	0.03	3.59:1
Inferred	0.3% Ni	18 million	0.37	0.04	3.62:1
<b>Total</b>	<b>0.3% Ni</b>	<b>113 million</b>	<b>0.38</b>	<b>0.04</b>	<b>3.60:1</b>
<b>Total Resource: 0.06% Ni cut-off plus Low Grade</b>					
Indicated		235 million	0.58	0.05	
Inferred		45 million	0.57	0.06	
<b>Total Resource</b>		<b>280 million</b>	<b>0.58</b>	<b>0.06</b>	<b>1.43:1</b>

Source: Jervois Mining

The next step in the development of Young involves the implementation of a bankable feasibility study and which is expected to cost in the order of \$12m to \$15m. The company has stated that it has been seeking a major joint venture partner to help fund this study and help take the project through to development and production.

### Jervois Mining Capital Structure

Jervois Mining has recently conducted a rights issue, which after the shortfall was taken up, raised \$4.5m. It involved issuing 449.3m shares at one cent each and a similar number of options exercisable at 1 cent by 30 November 2007 (some of which have already been exercised). This has significantly blown out the number of shares on issue to nearly 1.7 billion.

We estimate the enterprise value of Jervois Mining is \$50.6m.

Market Valuation	Issued Shares (m)	Share Price (A\$)	Market Cap (A\$m)
Fully paid shares	1,675.2	\$0.029	\$48.6
Options	416.6	\$0.029	\$12.1
Cash from options			\$4.7
<b>Diluted Market Cap</b>			<b>\$56.0</b>
Cash			\$5.4
Debt			\$0.0
<b>Enterprise value</b>			<b>\$50.6</b>

The options expiring on 30 November 2007 are not listed on the ASX.

Options	Issued Shares (m)	Exercise Price	Amount Raised (A\$m)
1-Sep-10	50.0	\$0.02	\$1.0
30-Nov-07	366.6	\$0.01	\$3.7

### Related Articles

- [Intec Limited 24 Jan 2007](#)
  - [Intec Limited 06 Dec 2006](#)
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