



# Intec Ltd

ABN 25 001 150 849

*Superior and Sustainable Metals Production*

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ASX code: INL

31 January 2007

Companies Announcements Office  
Australian Stock Exchange Limited

## **Quarterly Activities Report: Appendix 4C December 2006**

On behalf of Intec Ltd (ASX code: INL, or the Company), I now attach the December 2006 Quarterly Report for Entities Admitted on the Basis of Commitments (Appendix 4C).

## **Hellyer Zinc Concentrate Project (HZCP)**

On Tuesday 30 January 2007, the first shipment of 5,511 wet tonnes (4,968 dry tonnes) of bulk zinc concentrate was loaded on the “M.V. Mount Rainier” (a ‘handy size’ vessel within the Pacific Basin fleet) which left the Port of Burnie that same day (see photos below). Payment for 90% of the contained metals (approximately 38% Zn, 7% Pb and 200g/t Ag) contractual value will follow within 10 days of this date.



*Above – Concentrate being loaded from the HZCP’s storage bay at the Port of Burnie into hoppers feeding the conveyor belt on to the “M.V. Mount Rainier”*

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*Above – The “M.V. Mount Rainier” dockside at the Port of Burnie showing the concentrate conveyor and bulk loader at right*



*Above – The first HZCP bulk zinc concentrate being loaded into the hold*

On 1 December 2006 INL announced the formal commencement of commercial production of bulk zinc concentrate at the HZCP (a 50/50 joint venture between INL and Polymetals (Hellyer) Pty Ltd). This followed a six-month preparatory period, during which the Intec Hellyer Mill and related infrastructure had been refurbished; new equipment (including the tailings dam dredge – see photo) had been ordered and installed; all unit operations had been commissioned; and production had been ramped up towards the ‘base case’ commercial tailings treatment rate of 1.5Mtpa.



*Above – The dredge in operation on the Hellyer tailings dam.*



*Above – Bulk zinc concentrate being recovered in the froth flotation circuit at the Intec Hellyer Mill*

The average zinc grade in the 10.8 million tonnes of Hellyer tailings discharge contained within the tailings dam is 2.8% Zn. The zinc grade close to the base of the tailings dam is higher than the average grade due to the deposition of higher grade tailings during the early years of less efficient metallurgical recovery at the Hellyer Mine’s operation. Dredging during the commissioning phase of the HZCP’s current operation has been to a maximum depth of 9.5m in order to establish a floor of

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sufficient width to permit dredging of deeper material. The zinc grade over this commissioning period has averaged 2.2% Zn resulting in lower than forecast concentrate output. Periods of deeper dredging over the coming months will lead to improved zinc grades (which have been as high as 2.5% in recent days) and a corresponding increased rate of concentrate output.

The ramp up period has successfully commissioned the mill and flotation circuits (see photo). Mill throughput is at 100% of the planned tonnages with reagent consumption approaching projected levels.

Intec congratulates Polymetals and Maintenance and Engineering Services personnel for their professional commitment and effectiveness in restarting the Intec Hellyer Mill and associated operations at Hellyer.

### **Utilisation of Zinc-Bearing Residues**

INL was pleased to announce on 25 October 2006 the binding agreement for the acquisition of Encore Metals NL and its Zeehan resource. This 460,000-tonne stockpile of former lead smelter slags contains commercial quantities of zinc (>60,000 tonnes), lead (>7,000 tonnes) and silver(780,000 ounces).

At the 15 November 2006 Annual General Meeting, INL announced its intention to reconfigure the Burnie Demonstration Plant (see adjacent photo), which was put on care and maintenance after 'steady state' polymetallic operation in 2006, to treat a combined feedstock consisting of the Zeehan residues and Intec's stockpile in West Footscray, Victoria of 20,500 tonnes of Electric Arc Furnace Dust (EAFD) formerly belonging to Smorgon Steel.

Separately but concurrently, Intec has also been granted approval by the State and Federal environmental regulatory authorities to conduct a trial of blending EAFD with the bulk zinc concentrate product from the HZCP. The blending option offers enhanced contained zinc value, particularly if Intec's current EAFD beneficiation trials in Sydney and Burnie are successful in further upgrading the (~27%) present zinc concentration in the EAFD.



*Above – Adam Randall,  
Maintenance Manager at Intec's  
Burnie Demonstration Plant*

Engineers from WorleyParsons, one of Australia's major engineering firms, are currently working with Intec's technical staff to complete the engineering feasibility study for the overall Hellyer Polymetallic Project. This is crucially dependent on a very large volume of data from last year's 'steady state' operation of the Burnie demonstration plant, Ammtec's independent report on which will be completed by the end of February 2007.

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As a forerunner to Intec's polymetallic project, the Hellyer Zinc Residues Project will treat EAFD and Zeehan residues to produce 10,000 tonnes per annum of zinc units, being Prime Western Grade metallic zinc, high-grade zinc oxide and/or zinc sulphate, depending on economic and technical considerations.

To recommence in the second half of 2007, the operation of the reconfigured Burnie Demonstration Plant will replicate the feedstock and conditions associated with the Hellyer Zinc Residues Project. Construction of the larger plant at Hellyer is expected to commence in 2008, with commissioning in early 2009.

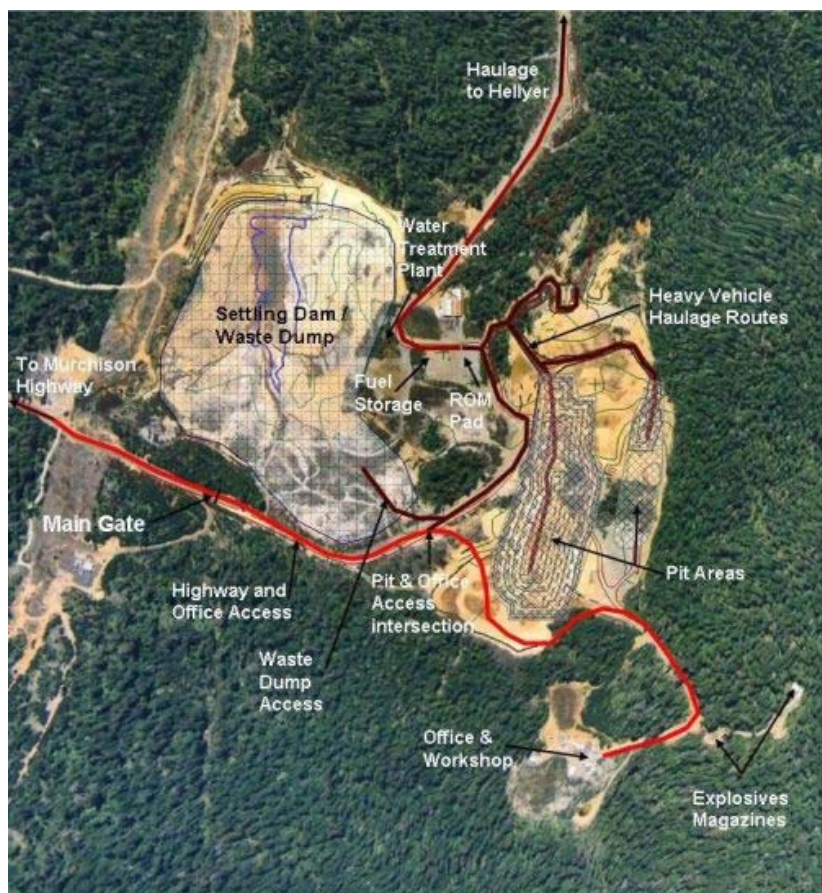
### **Bass Metals**

Bass Metals Ltd (ASX code: BSM, 18.4% owned by INL) has announced the commencement of trial mining at Que River (see aerial photo of site layout). The HZCP and Bass Metals have reached agreement on terms for the trial processing of 1,000 tonnes of Que River ore at the nearby Intec Hellyer Mill, and have signed a Letter of Intent for a proposed ore sales agreement.

The Que River ore will be processed at the Intec Hellyer Mill without reducing the throughput of the Hellyer tailings feedstock, generating additional concentrate product with the advantage that the resulting grade of the Hellyer bulk zinc concentrate will be higher.

All approvals required for the trial mining programme to commence are in place. Trial mining is scheduled to take place during the current March 2007 quarter.

The Bass Metals share price has responded positively to the continuing advancement of its projects and represents a favourable return on Intec's shareholding (and options) in Bass Metals. Moreover, continued exploration success and resultant mining by BSM (along with other regional explorers/ producers) will underpin Intec's long-term production plans for the Intec Hellyer Mill.



*Above – Aerial view of Bass Metals' Que River site*

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## **Corporate**

The Company's cash balance at 31 December 2006 was A\$545,000.

Payment of approximately A\$1.24 million will shortly be received from Polymetals to reconcile the actual start-up costs with Polymetals' agreed A\$6 million up-front commitment.

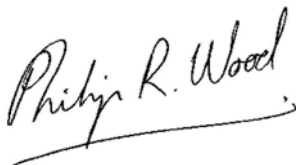
The Company's available cash, receivables and debt facility with Macquarie Bank are more than sufficient for its working capital requirements (inclusive of the HZCP) through to positive cash flow in early February 2007.

In response to the above progress, I am pleased to report that both the ASX and Deutsche Boerse share prices of the Company doubled during the December quarter 2006, though the INL share price has since retreated somewhat during January 2007 in line with the LME zinc price and the share prices of other zinc producers.

Even at today's subdued level, Intec's share price has quadrupled over the past 12 months. Remarkably, this is despite the departure (either fully or substantially) from Intec's share register during that period, for a variety of reasons, of all of the company's erstwhile nine largest beneficial shareholders. However, I have recently and definitely been advised by the current major shareholders that they have no further foreseeable selling intentions. Now that Intec is demonstrably a cashflow positive zinc producer, I will be looking to fortify the Company's institutional shareholding base in coming months.

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 underlined with a single horizontal stroke.

**Philip R Wood**

Managing Director and Chief Executive Officer

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Rule 4.7B

# 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 2006**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) staff costs	(649)	(1,324)
(b) advertising and marketing	(18)	(48)
(c) research and development	(104)	(132)
(e) demonstration plant costs	(98)	(2,435)
(d) bankable feasibility study	(327)	(446)
(e) other working capital	(33)	(78)
(f) HZCP joint venture costs	(811)	(811)
(g) administration and corporate costs	(536)	(801)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	15	101
1.5 Interest and other costs of finance paid	-	-
1.6 Income tax rebate received		
1.7 Other income -	43	48
<b>Net Operating Cash Flows</b>	<b>(2,518)</b>	<b>(5,926)</b>

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<b>Net Operating Cash Flows (Brought Forward)</b>	(2,518)	(5,926)
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(1,102)	(1,312)
(c) other fixed assets	(21)	(59)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material) -		
<b>Net investing cash flows</b>	(1,123)	(1,371)
<b>1.13 Total operating and investing cash flows (carried forward)</b>	(3,641)	(7,297)
<b>1.13 Total operating and investing cash flows (brought forward)</b>	(3,641)	(7,297)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	108	108
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	1,250	1,250
1.17 Repayment of borrowings	-	-
1.18 Dividends paid		
1.19 Other (provide details if material)- share issue costs	-	(9)
<b>Net financing cash flows</b>	1,358	1,349
<b>Net increase (decrease) in cash held</b>	(2,283)	(5,948)
1.20 Cash at beginning of quarter/year	2,828	6,493
1.21 Exchange rate adjustments to item 1.20	-	-
<b>1.22 Cash at end of quarter</b>	<b>545</b>	<b>545</b>

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**Payments to directors of the entity and associates of the directors**

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

1.23 Aggregate amount of payments to the parties included in item 1.2	166
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salaries, Directors fees and consultancy fees at normal commercial rates.

**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

Nil

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

Nil

**Financing facilities available**

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,500	1,250
3.2 Credit standby arrangements	Nil	Nil

**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
5.1 Cash on hand and at bank	424	407
Deposits at call	121	121
Bank overdraft	-	-
Other - 30 day bank bills	-	2,300
<b>Total: cash at end of quarter (item 1.22)</b>	<b>545</b>	<b>2,828</b>

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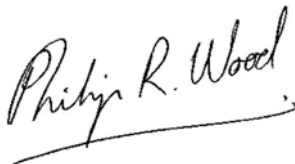
**Acquisitions and Disposals**

- 5.1 Name of entity
- 5.2 Place of incorporation or registration
- 5.3 Consideration for acquisition or disposal
- 5.4 Total net assets
- 5.5 Nature of business

Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
Not Applicable	Not Applicable

**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 Jan 2007

Print name: Philip R Wood

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## 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.

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