



Intec Ltd

ABN 25 001 150 849

Superior and Sustainable Metals Production

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Companies Announcements Office
Australian Stock Exchange Limited

31 July 2007

Quarterly Activities Report: Appendix 4C June 2007

On behalf of Intec Ltd (ASX code: INL, or the Company), I now attach the June 2007 Quarterly Report for Entities Admitted on the Basis of Commitments (Appendix 4C).

Highlights

- *The Hellyer Zinc Concentrate Project Joint Venture (50/50 Intec/Polymetals) has experienced its first full quarter of steady production, totalling 13,763 tonnes of bulk zinc concentrate grading 38% Zn, 10% Pb and 144g/t Ag and is now reliably and substantially cash-flow positive.*
- *In view of this year's escalating lead price, Intec and Polymetals are implementing inexpensive options to speedily and substantially increase the overall lead recoveries from the tailings feedstock.*
- *Bass Metals Ltd has commenced mining at Que River and will be processing its ore through the nearby Rosebery Mill owned by Zinifex Limited. The market value of Intec's 23.2% shareholding in Bass Metals rose during the June quarter to A\$7.7 million.*
- *Progress of Intec's Hellyer Residues Project remains on-track for construction in 2008 and operation in 2009. This is to be achieved via reconfiguration and then recommencement of operations at the Burnie Demonstration Plant, followed by staged development to ensure the earliest possible production at the lowest capital and operating cost.*
- *The cornerstone supplier of feedstock to the Hellyer Residues Project will be Smorgon Steel, with which Intec yesterday signed a long-term (three-year minimum and renewable) contract to recycle and recover the substantial contained zinc, lead and silver values of its entire annual production of EAF dust from both of its Australian operations. This contract secures 15,000tpa of high-grade EAF dust, containing 30-40% Zn, 1-2% Pb and ~100g/t Ag, with a total contained metal value of approximately A\$20 million per annum at current metal prices.*
- *The Ammtec-WorleyParsons report has now been received by Intec, updating the 2004 pre-feasibility study by H.G. Engineering (since merged with WorleyParsons) for the now-superseded Intec Hellyer Metals Project. This provides useful generic information concerning the Intec Process and for future stages of development at Hellyer and elsewhere, but is not on the critical path for the current active development of the Hellyer Residues Project.*
- *Broker coverage by Macquarie Securities (Australia) Limited commenced in July. Meanwhile, the top 20 Intec shareholders continue to accumulate on a net basis.*
- *The total cash available at the end of the quarter was A\$2,971,000.*

+ See chapter 19 for defined terms.

Hellyer Zinc Concentrate Project (HZCP)

The Hellyer Zinc Concentrate Project (HZCP) has experienced its first full quarter of steady production. Total production for the quarter was 13,763 tonnes of bulk zinc concentrate grading 38% Zn, 10% Pb and 144g/t Ag. This included record production of 5,707 tonnes achieved in May, which was primarily due to the installation of a longer cutting arm to the dredge that accessed a rich zone of the tailings dam down to 16m, as well as with ongoing improvements and optimisation at the Intec Hellyer Mill.

This resulted in three shipments to Chinese smelter customers during the quarter, each shipment containing approximately 5,000 tonnes of product. Dredging of the high grade zone of the tailings dam continued throughout June, returning to average (2.8% zinc) zones in July.

Importantly during the quarter, sustainably higher recoveries of zinc and lead were achieved through a combination of factors, including lower throughput with longer residence times, thus prolonging the projected life of the HZCP.

Intec Non-Executive Director, Mr Kenneth Severs, attended the HZCP operations and associated metallurgical laboratories in Burnie Tasmania during June to assess on Intec's behalf a number of opportunities for optimisation of the operations that are currently under consideration. Mr Severs' report regarding the contribution of Polymetals (as the joint venture operators of the Intec Hellyer Mill) was highly complimentary and supported strongly a programme of works to further explore these metallurgical opportunities.

Of particular note at this time of record high lead prices, Intec and Polymetals are focussing on inexpensive options that can be quickly implemented to substantially increase the overall lead recoveries from the tailings feedstock.

Of these, Intec anticipates that production of a low-grade lead concentrate (grading 15-20% Pb, plus minor Zn and Ag values) will commence in the second half of 2007. While this product would be of too low grade for sale on international markets, testwork in Intec's Sydney laboratory have shown that over 95% of the lead can be recovered using the Intec Process. As such, Intec expects that the low grade lead concentrate will be produced and stored on site for use in the up-coming Hellyer Residues Project.

This exemplifies the ability of the Intec Process to unlock value that is unavailable to conventional technologies. The additional recovery would represent over 11,000tpa of contained lead, offering



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substantial additional revenues to Intec while at the same time significantly reducing the amount of heavy metals returning to the tailings dam after reprocessing.

Other means of enhancing metals recoveries from the tailings throughput at Hellyer, such as ultra-fine grinding combined with the installation of a CIP plant to recover gold and silver, are also under consideration.

Bass Metals Ltd (ASX code: BSM)

As the largest shareholder in Bass Metals Ltd, the value of Intec's shareholding increased substantially during the June 2007 Quarter, from ~A\$4.5 million to ~A\$7.7 million due in substantial part to further investment of A\$2.2 million. As at 30 June 2007 Intec's shareholding in BSM stood at 23.24% (plus 1,235,289 30 April 2010 40 cents BSM options).

At the end of the June quarter it was announced that BSM had signed a Heads of Agreement for the treatment of the Que River ore at the Rosebery mill owned by Zinifex Limited. For a number of operational reasons, the Rosebery mill was able to offer more advantageous treatment terms relative to those which the Hellyer Zinc Concentrate Project Joint Venture was economically able to provide as an equivalent value proposition to its current operations.

Intec notes that the Rosebery Mill has spare capacity, whereas the Intec Hellyer Mill is currently fully utilised in treating the Hellyer tailings to produce the bulk zinc, lead and silver concentrate. Additionally, the Intec Hellyer Mill (unlike Rosebery) is not currently configured to recover copper and gold values (although it retains that capability for future operations), which are likely to increase in significance over time at Que River. It should also be noted that the Que River ore more closely resembles the Rosebery ore than the finely ground tailings feedstock currently being treated at the Intec Hellyer Mill. Indeed, between 1978 and 1991 the Rosebery plant treated approximately 2.4 million tonnes of Que River ore.

BSM is developing a range of potential base and precious metals projects in northwestern Tasmania, and Intec looks forward to pursuing these resultant longer term business opportunities with BSM.

Hellyer Residues Project

The progress of Intec's wholly-owned Hellyer Residues Project remains on-track for construction in 2008 and operation early in 2009. This is to be achieved via staged development to ensure the earliest possible production at the lowest capital and operating cost. Overall, the implementation of this project represents a major milestone in commercialisation of Intec's technology, which will ultimately be the key platform for future shareholder value.

The first stage of the Hellyer Residues Project plant is planned as two parallel Intec Process circuits: the Zinc Circuit primarily treating 25,000tpa of electric arc furnace dust (EAF dust); and the Lead Circuit primarily treating the low-grade lead sulphide



+ See chapter 19 for defined terms.

concentrate to be recovered from the conventional processing at the Intec Hellyer Mill (as described above). Either circuit could also be used to recycle and recover the contained metals from other zinc- or lead-bearing residue sources, such as those that may be identified via the current discussions with the environmental regulatory authorities in Tasmania and Victoria.

As a critical step to securing the feedstock to this project, Intec was pleased to announce earlier today the signing of a long-term (three-year minimum and renewable) contract to recycle and recover the substantial contained metal values from the entire annual production of EAF dust from both of Smorgon Steel's Australian operations. This contract secures a total of approximately 15,000tpa (of the 25,000tpa planned throughput) of high-grade EAF Dust, containing 30-40% Zn, 1-2% Pb and ~100g/t Ag, with a total contained metal value of approximately A\$20 million per annum at current metal prices.

Under the terms of the contract, Intec has today commenced receiving the Smorgon Steel EAF Dust, which will be stockpiled in the interim as feedstock for the future plant.

Intec's technical staff have advanced the Hellyer Residues Project significantly during the June 2007 Quarter, including refining the process flow sheet, developing mass balances and preliminary equipment lists and other project-related engineering data. Additionally, Intec has commenced the process of seeking the regulatory approvals associated with the project, with all aspects of the project currently developing to expected time frames.



Concurrently, the developments described above for the Hellyer Residues Project are being mirrored in the reconfiguration of Intec's demonstration plant at Burnie.

It is expected that the reconfiguration will be complete and operations at the Burnie Demonstration Plant will recommence in the current quarter on a campaign basis, providing the necessary engineering and operational data for the Hellyer Residues Project.

It should be emphasised that the current reconfiguration of the Burnie Demonstration Plant reflects the decision in early 2007 to commercialise the Intec Process via the Hellyer Residues Project, producing intermediate zinc products within the HZCP's existing business plan rather than adding purification and electrowinning circuits to proceed through to pure metal. This offers a number of advantages:

- It allows the project to be implemented in the shortest possible time frame to take advantage of current high metals prices;
- It minimises capital and operating cost;

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- It offers potential synergies with the existing HZCP operations, such as blending product and reduced marketing costs for the final products by aligning with existing sales contracts;
- It minimises technical risks; and
- It allows the potential for future stages to be developed flexibly from project revenues.

Ammtec-WorleyParsons Report

The Ammtec-WorleyParsons Report has now been received by Intec, updating the 2004 pre-feasibility study for the Intec Hellyer Metals Project of H.G. Engineering (which has since merged with WorleyParsons)

The Ammtec-WorleyParsons Report was received later than originally scheduled because, as described in Intec's March quarterly, the Report relates to the original but now-superseded polymetallic Hellyer Metals Project and the associated 2006 operations of the Burnie Demonstration Plant. The decision in 2006 to commence dredging and processing tailings via the HZCP and the ensuing decision earlier this year to implement the Intec Process at Hellyer via the Hellyer Residues Project means that, while the Report provides useful generic information concerning the Intec Process and for possible future stages of development at Hellyer and elsewhere, it is not on the critical path for development of the Hellyer Residues Project and will therefore not be implemented as originally conceived.



Corporate

Cash Position

The Company's cash balance at 30 June 2007 was A\$2,971,000.

The Directors consider that the Company's available cash, receivables, securities and other liquid current assets, income from the HZCP and debt facility with Macquarie Bank are more than sufficient for its working capital requirements (inclusive of the HZCP).

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Broker Research

Macquarie Securities (Australia) Limited commenced coverage of Intec Ltd during the June 2007 Quarter. The initial report took a conservative view, particularly with respect to forward metal prices and the valuation of the Hellyer Residues Project (for which no valuation was offered, pending the availability of further economic data). This research concluded that: “INL management has proven itself to be agile, opportunistic and entrepreneurial in using the current high metals price environment in piecing together a strategy to develop its technology.” “Sensibly, Intec has used its HZCP project and high zinc prices (rather than the equity market) to build cash, gain expertise on metals processing, trial its technology, and buy time while it determines how best to monetise its technology – and quickly.”

The initial valuation ascribed by Macquarie was 13-15 cents per share. However, it was noted that: “If we assume flat future zinc prices of US\$1.50/lb, our DCF valuation triples to ~\$75m”, which would add an additional 8 cents per share value via the HZCP alone.

It might also be expected that the majority of Intec’s shareholders are looking to the implementation of the Intec Process technology as the key driver of future value. Macquarie noted that: “If indeed



INL was able to commercialise its technology and it gained favour among one or more key industry players, it may have significant upside potential from our base case assumptions.”

Macquarie Research’s overall conclusion was that “We view the next two years as critical to INL in realising its vision. The currently favourable metals environment provides a unique opportunity for INL to generate cash and trial its technology in conjunction with conventional operations.

However, INL’s not inconsiderable challenge is to transform its revenue and earnings base from one that is highly leveraged to the metals cycle to one that is more insulated from metal price downturns by increased demand for its low capex and low operating cost processing technology.”

Directorships

Mr James Bell was appointed as a Non-Executive Director of Intec Ltd on 1 May 2007. Mr Bell is a longstanding Intec shareholder, having become a significant seed investor in 1995 and supported all capital raisings since that time. He has also, over a period of some years, provided legal advice to Intec and recently entered into an arrangement to share his office premises in Sydney to provide Intec with a presence in the City.

On 26 July 2007, Mr Philip Wood, Intec’s Managing director and Chief Executive Officer, was appointed as a Non-Executive Director of Compass Resources NL.

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Jervois Mining Limited

Intec elected to exercise its remaining 107 million options in Jervois Mining Limited during the June 2007 Quarter at a cost of 1 cent each, and sold the resultant issued shares on market at an average price of about 2.5 cents per share. As a result, Intec was left with zero shares or options in JRV as at 30 June 2007, having booked a net profit of approximately A\$4 million from the overall transaction.

Collaboration Agreement Signed with Outotec OYJ

During the June 2007 Quarter, Intec signed a Heads of Agreement with Outotec OYJ of Finland to collaborate closely in the field of chloride hydrometallurgy.

According to the agreement, Intec makes available to Outotec its internationally patented mixed halide leaching technology, which enhances the recovery of gold and other precious metals from mineral ores and concentrates. Similarly, Outotec makes available to Intec its OKTOP reactor technology developed for a variety of applications such as the efficient transfer of oxygen into mineral slurries, which will enhance kinetics in the leach section of the Intec Process.



Outotec is the worldwide overall technology leader in minerals and metals processing, providing innovative and environmentally sound solutions for a wide variety of customers in iron and steel, aluminium and non-ferrous metals industries. Formerly Outokumpu Technology (prior to its October 2006 IPO), Outotec employs 1,800 people worldwide and recorded a profit of EUR 56 million in calendar year 2006 from sales revenues of EUR 740 million.

Intec and Outotec now look forward to identifying and jointly developing base and precious metals projects where their respective technologies can be brought together to create additional value.

Other Corporate Matters

The INL share price showed continued weakness during the June 2007 Quarter, despite the ongoing strength in the Company's fundamentals.

INL's Top 20 share register has continued to remain stable throughout the June 2007 Quarter. Of the current top 20 shareholders, all but one (National Nominees, which transferred shares to HSBC Custody Nominees) held or increased their shareholding during the quarter, and the aggregate shareholding among the top 20 shareholders has increased. In part, the large bank nominee holdings are understood to represent numerous European investors introduced via INL's Deutsche Boerse listing.

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Top 20 Shareholding as at 30 June 2007

Top 20 Shareholder as at 24/4/07	As at 31/3/07	As at 30/6/07	Change
ANZ Nominees Limited	40,961,773	46,488,439	Increase
Orian Holding Corp (Ivanhoe Mines)	34,312,366	34,312,366	Stable
Oregon Nominees Pty Ltd	10,200,000	11,572,000	Increase
HSBC Custody Nominees	<425,000	11,545,485	Increase
Alliance Resources Limited	7,952,200	7,952,200	Stable
Macquarie Bank Limited	7,246,377	7,246,377	Stable
National Nominees Ltd	23,234,842	6,714,842	Decrease
Mr Stephen Stone	6,083,400	6,083,400	Stable
Reach Out Pty Ltd	5,572,460	5,572,460	Stable
Mr William Conway	5,046,428	5,046,428	Stable
Mr Michael McKenzie	5,045,455	5,045,455	Stable
Smacer Pty Ltd	4,590,910	5,000,000	Increase
Shell Cove Capital Management Pty Ltd	<425,000	4,475,035	Increase
Mr Peter Taylor	4,045,455	4,045,455	Stable
Grizzly Holdings Pty Ltd	3,885,691	3,885,691	Stable
JJ Johnson Jacobs Pty Ltd	3,651,131	3,651,131	Stable
Kurraba Investments Pty Ltd	3,454,545	3,454,545	Stable
Mesuta Pty Ltd	2,397,743	3,449,228	Increase
Wendelini Pty Limited	3,234,583	3,234,583	Stable
Barona Group Pty Ltd	3,166,364	3,166,364	Stable
Top 20 Total Holding	178,901,519	181,941,484	Increase

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Accounting Treatment of Concentrate Sales

It should be noted that the terms of the HZCP Joint Venture specify that joint venture property includes zinc concentrate which has been shipped but not sold. At the point of sale the zinc concentrate becomes the property of the individual joint venturers. The HZCP JV does not make any sales of the concentrate - this is done by the joint venturers individually on their own behalf.

Sales are made on a CIF (cost, insurance, freight) basis which means that title and risk in the concentrate does not pass to the buyer until it is received by the buyer at the port of discharge. As the tests for recognition of revenue look at risk and transfer of title, under the CIF basis of sale, the sales revenue is not recognized in the profit and loss account until the shipment reaches its port of discharge. Any cash received on provisional invoice is treated as deferred revenue until the shipment is discharged. Equally, the cost of sales in regard to the shipment is treated as an asset, goods in transit, until the shipment is discharged thereby matching costs with revenues.



If the sales had been made on a FOB (free on board) basis where title and risk passes on the loading of the shipment then revenue and cost of sales would be recognized at the time of shipment.

In respect of INL's shipments in June 2007 receipts based on provisional invoices have been treated as deferred revenue in the balance sheet and costs associated with the shipments have been treated as goods in transit in the balance sheet. Subsequently, the shipments have now been discharged and the relevant amounts of deferred revenue and goods in transit will be transferred to the 2008 profit and loss account on recognition of the sales.

Yours faithfully
Intec Ltd

A handwritten signature in black ink, reading "Philip R. Wood". The signature is written in a cursive style and is underlined with a single horizontal line.

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")

30 June 2007

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	6,603	8,967
1.2 Payments for		
(a) staff costs	(679)	(2,611)
(b) advertising and marketing	(29)	(101)
(c) research and development	(982)	(4,051)
(f) HZCP joint venture costs	(1,967)	(5,085)
(g) administration and corporate costs	(609)	(1,485)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	66	181
1.5 Interest and other costs of finance paid	(28)	(156)
1.6 Income tax rebate received		
1.7 Other income -	42	90
Net Operating Cash Flows	2,417	(4,251)

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

Net Operating Cash Flows (brought forward)	2,417	(4,251)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(2,372)	(6,767)
(c) other fixed assets	(459)	(882)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	4,114	8,162
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material) -		
Net investing cash flows	1,283	513
1.13 Total operating and investing cash flows	3,700	(3,738)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	206	387
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	-	4,428
1.17 Repayment of borrowings	(4,478)	(4,478)
1.18 Dividends paid		
1.19 Other (provide details if material)- share issue costs		
Net financing cash flows	(4,272)	337
Net increase (decrease) in cash held	(572)	(3,401)
1.20 Cash at beginning of quarter/year	3,543	6,372
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	2,971	2,971

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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	256
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.

3.1 Loan facilities

3.2 Credit standby arrangements

Amount available \$A'000	Amount used \$A'000
4,500	-
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.

5.1 Cash on hand and at bank
 Deposits at call
 Bank overdraft
 Other - 30 day bank bills

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,971	3,543
Deposits at call	-	-
Bank overdraft	-	-
Other - 30 day bank bills	-	-
Total: cash at end of quarter (item 1.22)	2,971	3,543

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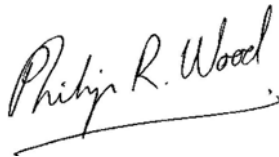
Acquisitions and Disposals

- 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 July 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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