



# Intec Ltd

ABN 25 001 150 849

*Superior and Sustainable Metals Production*

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ASX code: INL

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Companies Announcements Office  
Australian Securities Exchange Limited

## **Quarterly Activities Report: Appendix 4C September 2007**

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

### **Highlights**

- *The Hellyer Zinc Concentrate Project Joint Venture continued to experience strong production, albeit with tailings grades decreasing as anticipated, after the dredge completed recovery of a portion of the high-grade zone in the tailings dam.*
- *The introduction of a second, high-lead specification of bulk zinc and lead concentrate was completed towards the end of September. This increases net revenues, maintains total product output levels (~60,000tpa) and extends the life of the Hellyer project by more efficiently utilising the resource.*
- *Other efforts by the Joint Venture partners to optimise recoveries from the Intec Hellyer Mill have completed the laboratory testing phase and are being implemented for plant trials at the Mill.*
- *Exploration by Bass Metals Ltd near the Intec Hellyer Mill has intersected 57.5 metres containing 9.2% Zn, 4.7% Pb, 94 g/t Ag and 2.89g/t Au.*
- *The Hellyer Residues Project remains on-track for construction in 2008 and operation in 2009. A number of significant milestones were achieved during the September Quarter.*
- *The Stage 2 Supply Agreement with Smorgon Steel (now merged with OneSteel) announced on July 31 increased the total amount of EAF dust feedstock secured for the Hellyer Residues Project to 60,000-65,000t.*
- *The Development Proposal and Environment Management Plan for the Hellyer Residues Project was submitted to the Tasmanian regulatory authorities. No public objections were raised during the notification period.*
- *The reconfigured Burnie Demonstration Plant commenced operations on schedule in September.*
- *Updated broker coverage by Macquarie Securities Ltd marginally increased the INL valuation.*
- *The total cash available at the end of the quarter was A\$3,035,000.*

+ See chapter 19 for defined terms.

### Hellyer Zinc Concentrate Project (HZCP)

Production at the Hellyer Zinc Concentrate Project continued strongly throughout the September Quarter. The high grade zone that resulted in record production in May 2007 persisted throughout operations in June and into July (averaging 3.4% Zn in July) – longer than had previously been expected. Average zinc grades dropped thereafter as a new cut was established within the tailings dam in a lower-grade zone in the later, near-surface tailings. As expected, overall weekly and monthly production has fluctuated above and below target levels, based primarily on the inconsistent feed grade of the Hellyer tailings (with incremental metallurgical recovery improvements via the ongoing optimisation efforts).

The strong surge in lead prices in the September 2007 Quarter (which rose 30% from US\$2,660 on 29 June to US\$3,448 on 28 September) proved timely in the light of ongoing efforts to improve the lead recoveries from the Intec Hellyer Mill, as first noted in the June 2007 Quarterly Report. Of these efforts, the most important relates to the production of a second specification of bulk zinc concentrate for Chinese smelter customers.

This second concentrate product contains increased lead (16%) and decreased zinc (32%) grades, maintaining the total Pb+Zn grade of the original HZCP bulk zinc concentrate product while achieving higher overall metal recoveries and equal tonnage production of concentrate product on lower throughput of tailings feedstock. As a result, operations since the end of September 2007 have produced a higher-lead product, maintaining the yearly rate of approximately 60,000tpa from lower overall feed rates (approximately 1.25Mtpa).

Some of the current optimisation projects include the following:

- The tower mill optimisation (de-bottlenecking) project was commissioned during August. This resulted in an improved re-grind size (from p80 22 microns to p80 14 microns) with improved cleaner flotation stability and cleaner circuit zinc recovery.
- Magnetic susceptibility laboratory trials supported expectations of incremental zinc recovery improvements, and as such a magnetic system is currently being installed for plant trials.
- Refurbishment of the High Intensity Conditioners (HICs) for improved metal recoveries was initiated and developed during the September Quarter. Commissioning is expected in early November. Using sand rather than iron-based grinding media, the HICs change the surface properties of the reground zinc and lead minerals, improving their response to the flotation agents used in the Intec Hellyer Mill.



*'Macca', an operator at the  
Intec Hellyer Mill*

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+ See chapter 19 for defined terms.

- A real time GPS-based directional control system was introduced on the dredge at the end of September. The system uses the current mine plan blocks with a GPS face position indicator overlay to yield better control over the dredge operation.

**Table 1: Production Results from the Hellyer Zinc Concentrate Project**

	<b>Dec 2006 Quarter</b>	<b>March 2007 Quarter</b>	<b>June 2007 Quarter</b>	<b>Sept 2007 Quarter</b>
Tailings treated (tonnes)	131,324	324,389	240,626	247,874
Zinc (%)	2.2	2.5	3.5	2.8
Lead (%)	2.2	2.6	3.3	3.1
Silver (g/t)	96	138	89	78
Bulk zinc/lead concentrate (dry tonnes)	2,878	10,401	13,813	11,820
Contained zinc (t)	1,131	4,049	5,248	4,021
Contained lead (t)	279	700	1,386	1,447
Zn recovery (%)	39	51	62	59
Pb recovery (%)	9.6	8.3	18	19
Contained silver (kg)	660	2,289	2,101	2,152

Having made two shipments in June 2007, further shipment were deferred at the customers' request in July and August associated with their reduced operations and scheduled maintenance shutdowns during the northern hemisphere summer. A shipment of 5,550 (dry) tonnes of product grading 37% Zn, 12.6% Pb and 246g/t Ag was loaded at the Port of Burnie on 9 September 2007. With production having continued strongly throughout the quarter, the stockpile inventories rose to over 7,000 (dry) tonnes by the end of the September Quarter. A larger shipment of ~10,000 tonnes is due to be loaded in November, which will still leave a significant inventory at Burnie for a further shipment towards the end of December.

#### **Gold recovery not presently viable at Hellyer via CIP**

The results from the metallurgical testwork showed that cyanide-based CIP processing achieved only 15-20% gold recovery from the reground tailings. It was expected that the recoveries would be comparatively low (versus other gold resources) – because of the extremely refractory nature of the gold in the Hellyer tailings, and because the majority of the gold is dispersed in the host pyrite/arsenopyrite matrix as sub-micron gold, while the grind being enacted achieves a P80 (80% passing) ~15 microns – however these recovery figures were unacceptably low.

Further, it was found that there were unacceptably high levels of reagent consumption, due to other metals (notably copper) competing for the cyanide. As such, the economics do not support the installation of a CIP plant at Hellyer at this time. It must be noted however, that the 910,000oz gold resource remains available for future processing options.

It is worth emphasising that the Intec Process was proven at the 2006 operations at the Burnie demonstration plant to achieve better gold extraction from the Hellyer tailings than was achieved in the abovementioned metallurgical trials of conventional CIP processing. The Intec Process achieved up to 25% gold extraction, nearly double the extraction achieved using cyanide. Subsequent trials in

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Intec's Sydney head office laboratory, in which the residues from the Burnie Demonstration Plant were re-leached in optimised Intec Process leach liquors, resulted in overall gold extraction rates of 65%. Although this is only laboratory data, this represents an example of the Intec Process being able to unlock value that is unavailable to conventional technologies.

### **Bass Metals Ltd (ASX code: BSM)**

Bass Metals Ltd (23.5% owned by Intec Ltd) announced on October 5 2007 that diamond drill hole HLD957 had intersected 57.5 metres containing 9.2% Zn, 4.7% Pb, 94 g/t Ag and 2.89g/t Au from 181 metres downhole at the Southern Barite Zone target, along strike from the historic Hellyer mine.

At the conclusion of the announcement, BSM noted that: "Notwithstanding this current conservative interpretation of the drill hole geology, the HLD957 intersection indicates a potentially thick zone of high grade massive sulphide mineralisation open vertically and to the north and south of HLD957 for at least 75 metres."

The Southern Barite Zone target represents just one of a number of good opportunities to continue the long-term operation of the Intec Hellyer Mill beyond the life of the Hellyer Zinc Concentrate Project.

Intec welcomes the substantial appreciation of the market value of its BSM shareholding over the September 2007 quarter and to the present time (from ~A\$6.7 million on 2/7/07 to ~A\$10.2 million on 19/10/07). This was principally due to the appreciation of the price of BSM shares and also partly due to investment in BSM securities by Intec during that period.

### **Hellyer Residues Project**

The Hellyer Residues Project achieved a number of significant milestones during the September 2007 Quarter. The Company announced on 31 July 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. Smorgon Steel's merger with OneSteel was completed on 20 August 2007 and has no effect on the EAF dust supply agreement with Smorgon Steel.

In combination with the Stage 1 Agreement with Smorgon Steel in 2006 (via which Intec was paid A\$2.42 million to acquire the 20,500 stockpile of EAF dust at Footscray, Victoria), the Stage 2 deal secures a total of approximately 60-65,000 tonnes of feedstock for the Stage 1 Hellyer Residues Project. Deliveries of EAF dust to Intec's Footscray warehouse commenced on 1 August 2007, amounting to over 1,800 tonnes by the end of the September Quarter. The Stage 2 agreement provides for the supply of EAF dust to Intec together with a unit payment for transport and storage. Intec is responsible for the posting of environmental bonds relating to EAF dust storage.

The Development Application and Development Proposal & Environment Management Plan (DP-EMP) were submitted to Waratah-Wynyard Council in August 2007 and according to the defined practice were subsequently referred to the Department of Tourism, Arts and the Environment. Representatives of Intec and the various contributing consultants subsequently met with the

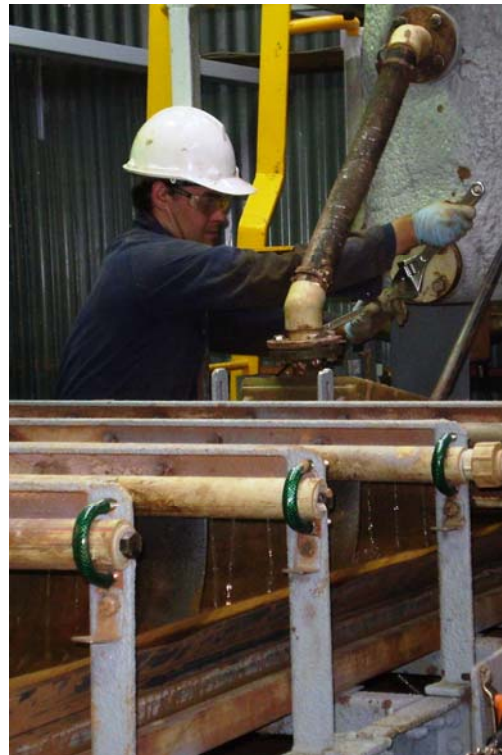
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regulatory authorities to go over the DP-EMP to aid them in understanding the details of the proposed project.

The community notice period passed on 17 October 2007 without receiving any objections to the Hellyer Residues Project, and Intec continues to expect to have regulatory approval for the Project by the end of 2007.

Additionally, operations at the reconfigured Burnie Demonstration Plant commenced on-schedule in September. These operations are being conducted as a series of campaigns to provide further engineering data to facilitate the detailed engineering design of the plant, as well as the financial modelling of the Hellyer Residues Project. The first campaign, demonstrating the Acid Regeneration step of the Stage 1 Hellyer Project, has been completed successfully and the calcium sulphate product has been dispatched for analysis and further processing (using equipment like that which would be installed at Hellyer)



*An operator working on the belt filter at  
Intec's Burnie demonstration plant*

Overall, the progress of Intec's wholly-owned Hellyer Residues Project remains on-track for construction in 2008 and operation in 2009.

## **Corporate**

### *Cash Position*

The Company's cash balance at 30 September 2007 was A\$3,035,000.

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).

### *Broker Research*

The Macquarie Research coverage of Intec Ltd, which commenced in June 2007, was updated in September. Overall, the updated coverage fractionally increased the Macquarie valuation of INL, to 14-16 cents per share.

- "Our investment thesis is broadly unchanged. The establishment of consistent and profitable production, progress on the residues project and a continued positive outlook for metals prices enhance INL's prospects of ultimately monetising the Intec Process technology.
- However, this is partially tempered by currency and concentrate driven cost pressures and our less favourable view on zinc relative to other base metals, which contributes an estimated ~80% to INL revenues."

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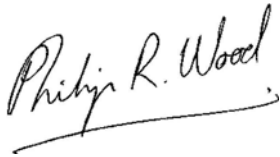
Intec's view is that the Macquarie valuation is quite conservative, particularly as the valuation is extremely sensitive to the forward metals prices. It refrains from ascribing a value to the Hellyer Residues Project pending the release of the project economics. However, we would expect that once this data has been released to the market, the Macquarie valuation should be favourably revised.

*Other Corporate Matters*

In order to better inform the investment community about Intec and its activities, the Company has established on its web site ([www.intec.com.au](http://www.intec.com.au)) an Investor Q&A Forum to allow questions, suggestions, comments and responses to be shared amongst all visitors to the Intec web site.

Governed by Intec's Investor Enquiry Policy, the Forum has proved highly popular, yielding an immediate surge in the daily web 'traffic' on the site and a strong positive response received in emails from the investment community. It has also proven effective in substantially eliminating instances of misinformation, incorrect suppositions and unanswered questions posted to well-known investor forum web sites. After an initial period of work during the set-up of the Forum and the preparation of responses to a large number of questions covering the full breadth of Intec's activities, the Forum has also proven itself to be effective in reducing the amount of time spent by Company executives in responding to common shareholder enquiries.

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")

**30 September 2007**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
1.1 Receipts from product sales and related debtors	7,084	7,084
1.2 Payments for		
(a) advertising and marketing	(39)	(39)
(b) hydrometallurgical process development	(1,291)	(1,291)
(c) HZCP joint venture costs	(1,304)	(1,304)
(d) administration costs and corporate overheads	(735)	(735)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	68	68
1.5 Interest and other costs of finance paid		
1.6 Income tax rebate received		
1.7 Other income -	29	29
<b>Net Operating Cash Flows</b>	<b>3,812</b>	<b>3,812</b>

+ See chapter 19 for defined terms.

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

<b>Net Operating Cash Flows (brought forward)</b>	3,812	3,812
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(459)	(459)
(c) other fixed assets	(3,289)	(3,289)
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) - security deposits	(3,950)	(3,950)
Other (provide details if material) - security deposits repaid	3,950	3,950
<b>Net investing cash flows</b>	<b>(3,748)</b>	<b>(3,748)</b>
<b>1.13 Total operating and investing cash flows</b>	<b>64</b>	<b>64</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.		
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings	3,950	3,950
1.17 Repayment of borrowings	(3,950)	(3,950)
1.18 Dividends paid		
1.19 Other (provide details if material)- share issue costs		
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>64</b>	<b>64</b>
1.20 Cash at beginning of quarter/year	2,971	2,971
1.21 Exchange rate adjustments to item 1.20	-	-
<b>1.22 Cash at end of quarter</b>	<b>3,035</b>	<b>3,035</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	294
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
3.1 Loan facilities	5,000	3,950
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.

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	3,035	2,971
Deposits at call	-	-
Bank overdraft	-	-
Other - 30 day bank bills	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,035</b>	<b>2,971</b>

+ See chapter 19 for defined terms.

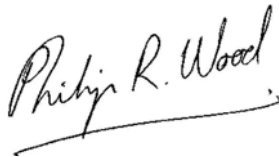
**Acquisitions and Disposals**

- 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: 22 October 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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