



# Intec Ltd

ABN 25 001 150 849

*Superior and Sustainable Metals Production*

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ASX code: INL

Companies Announcements Office  
Australian Securities Exchange

22 January 2009

## Quarterly Activities Report: Appendix 4C December 2008

On behalf of Intec Ltd (ASX code: INL, or the Company), I now attach the December 2008 Quarterly Report for Entities Admitted on the Basis of Commitments (Appendix 4C).

### Highlights

- *Intec's primary focus throughout the December 2008 Quarter has been the progress of the proposed acquisition of Delta's hydrometallurgical facility at Mayfield, Newcastle for the Intec Metals Recycling Project.*
- *GHD Australia is working with Intec's own engineers to advance the engineering study and project economic model for the operation of the Refractory Unit at the Intec Metals Recycling Project.*
- *Intec has developed or opened discussions with a range of potential suppliers of mineral concentrate feedstock, with a particular emphasis on current and near-term mineral producers whose operations would be significantly enhanced by the production of 'intermediate' grade, polymetallic and/or contaminated mineral concentrates.*
- *Intec has commenced the process of acquiring the necessary environmental and regulatory approvals for the Intec Metals Recycling Project, and of engaging with key stakeholders in the Project.*
- *Intec's Burnie Research Facility has successfully completed its first commercial-scale trials of the use of calcium sulphide for heavy metal removal from inorganic wastewaters.*
- *Ongoing development related to the Browns Sulphide Project has yielded highly satisfactory outcomes. The discovery of a new stability region for lead solubility should result in substantial savings in the capital costs required for the Intec Process portion of the Browns Sulphide Project.*
- *Intec sold 19.9% of its 23.2% stake in Bass Metals Ltd (BSM) in November 2008 for a payment of approximately A\$1.85 million.*
- *Intec reached agreement with BSM for the sale of Intec's Hellyer assets for a total of A\$10 million (comprising A\$4.01m cash, replacement of Intec's A\$0.99m bond for the site, and a unit-based mill throughput royalty capped at A\$5.0m). BSM has paid a conditionally non-refundable \$500,000 deposit.*
- *Revenues received from the sale of Intec's non-core Tasmanian assets are being used to retire its A\$5 million working capital facility with Macquarie Bank.*
- *Economy measures implemented by Intec have reduced the quarterly operating expenses by over 30%.*
- *The total cash available at the end of the quarter was A\$717,731.*

## Intec Metals Recycling Project

The primary focus of Intec's activities throughout the December 2008 Quarter has been the development of the Intec Metals Recycling Project via the proposed acquisition of the major hydrometallurgical and associated facilities at Newcastle.

The existing facilities at the Mayfield site are highly suited to Intec's requirements, both in terms of the unit operations and materials of construction of the Hydrometallurgical Unit for commercial-scale application of the Intec Process, and for the early generation of cash flows via the mid-2009 restart of the Refractory Unit and Wastewater Unit. An annotated site diagram is shown in Figure 6.

Following the public announcement of the proposed acquisition of the site from Delta EMD Australia Pty Ltd for A\$20 million, staff at Intec have actively engaged with potential project stakeholders to advance the Intec Metals Recycling Project at Newcastle. GHD Australia has completed and submitted a preliminary engineering and cost model for the Refractory Unit, with more detailed estimates expected by the end of February 2009.

Intec has developed or opened discussions with a range of potential mineral concentrate feedstock suppliers for the Hydrometallurgical Unit, with greater-than-anticipated interest being received from current and near-term producers – particularly in NSW and Queensland – whose metallurgical recoveries and overall revenues can be enhanced via the Intec Process flexibility to 'intermediate' grade, polymetallic and 'contaminated' mineral feeds.

In many cases, the difficulty of separating copper, lead and zinc into 'clean' smelter-grade concentrates can significantly reduce recovery of metal from ore to concentrate, as well as losing value from 'non-payable' metals in their products. Such problems are overcome using the Intec Process.



Figure 1: The Refractory Unit and reagent storage, viewed from the west.



Figure 2: The leach and purification sections of the Hydrometallurgical Unit



Figure 3: View from the top of the leach section (Hydrometallurgical Unit), looking east

Intec has engaged experienced environmental consultants, ENSR Australia (who have recent relevant experience with approvals of this type in the area), to assist with the progress of the environmental and regulatory approvals process, and with the support of ENSR has engaged early with local community groups.

Intec has also appointed mid-tier investment and advisory house, Inteq Limited ([www.inteq.com.au](http://www.inteq.com.au)), to provide corporate, strategic and financial advisory services to INL and to act as Lead Manager in the Intec Metals Recycling Project financing. It should be noted that the appointment of Inteq relates specifically to the *process* of developing the investor leads and managing the contract preparation through to completion.

This brings to the table Inteq's significant recent experience in the sourcing and completion of substantial project investments. The choice of Inteq does not specify the actual investment avenues (such as joint venture project investment, convertible notes, direct share placement, etc.) that will eventually be negotiated. The nature and/or mixture of investment options will be examined and negotiated on a case-by-case basis, taking into account such factors as the strategic nature of the interaction with the investing party, commercial contracts with it and the possibility (or otherwise) of its participation in future Intec projects.

After the formal execution of the Contract for Sale and the submission of Intec's 10% (A\$2 million) deposit on 28 February 2009, Delta needs to obtain shareholder and regulatory approval for the sale of the Mayfield site. The site is owned by Delta EMD Australia Pty Ltd, which is in turn wholly owned by the South African-listed Delta Electrical Industries, whose shareholders must approve the transaction. Delta plc of London, which owns the majority of shares in Delta Electrical Industries, has already legally committed in writing to vote in favour of the transaction.

Completion of the sale and associated (pre-approved) transfer of BHP Billiton's existing site environmental indemnity are due by 15 April 2009. The sale does not include certain equipment, software and information essential to the production of EMD, in accordance with the mutual legal agreement between the parties that the site cannot be returned to EMD production at any time in the future.

The Board of Intec is optimistic that, following due diligence and commercial negotiations, it will be in a position to exchange contracts and then complete the purchase by 15 April 2009. However, in the current climate of world-wide economic uncertainty there can, of course, be no guarantee that funding will be available and accordingly this acquisition cannot yet be regarded by shareholders as certain to proceed. Having said that, the directors are confident that there is a compelling case for the Project and every prospect of a successful outcome.



**Figure 4: The filter shed of the Hydrometallurgical Unit**



**Figure 5: Inside the massive electrowinning tankhouse of the Hydrometallurgical Unit**

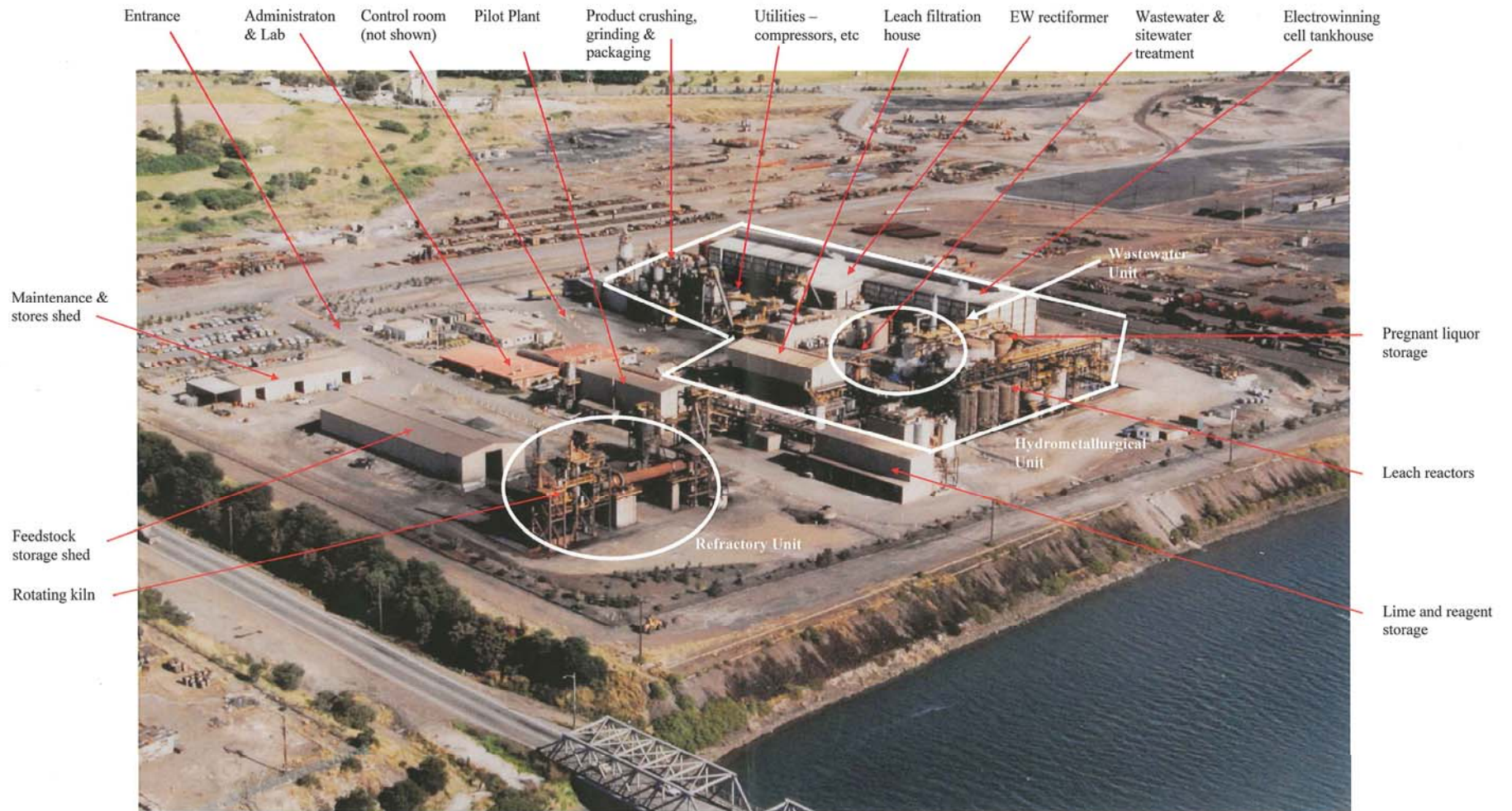


Figure 6: Annotated overview of the proposed Intec Metals Recycling Project site at Newcastle.

## **Burnie Research Facility**

Throughout the December 2008 Quarter, operations at Intec's Burnie Research Facility very successfully completed the first commercial-scale trials of the use of calcium sulphide for heavy metal removal from inorganic wastewaters.

CaS is a superior alternative reagent for many wastewater applications because:

- (1) it precipitates heavy metals at near-neutral pH (as opposed to pH 11-12 typical for most caustic soda applications), reducing the cost of reagents and the final pH of the treated water stream. Additionally, using Intec's specific reagent mixture and know-how, the precipitated sulphide solids floc, settle and filter well, as compared to the notoriously-difficult amorphous oxide/hydroxide sludges that result from alkaline treatment.
- (2) the chemistry of heavy metal precipitation using alkali is complex, but is such that the conditions required for precipitation of many metals vary, meaning that some metals can actually start redissolving into solution as the pH is raised. By comparison, sulphide precipitation yields a pretty uniform response across most metals.
- (3) the use of sodium sulphide, a better-known competing reagent, results in a build-up of sodium salts in the treated water, potentially beyond acceptable levels for the receiving system. By comparison, both the calcium and the sulphide in CaS reagent precipitate in typical sulphate-bearing wastewaters, leaving a clean treated water stream; and
- (4) the resulting heavy-metal sludges are highly suited to recycling via the Intec Process. As such, instead of the usual method of costly stabilisation followed by disposal to landfill, the metals can be brought back into the useful product stream.



**Figure 7: The clean, homogenous heavy metal sulphide filter cake shown during recent trials at Intec's Burnie Demonstration Plant**

Calcium sulphide water treatment is equally applicable to mine tailings water (which, in some cases known to Intec, can contain up to a tonne of heavy metals in every day's overflows) or industrial wastewaters.

Intec (with the possible participation of Veolia Environmental Services through the collaboration agreement established in December 2007) would be fairly uniquely positioned with respect to sales of calcium sulphide for water treatment in that small operators can buy the CaS, precipitate the heavy metals at their own site (using dedicated or mobile plant and equipment designed by Intec), and then pay Intec to take the heavy metal sludges and recycle them at the Intec Metals Recycling Project. This is where the ongoing agreement with Veolia Environmental Services is important, where Veolia has the extensive network of contacts, know-how, infrastructure and transport to assist these operators (small, medium and large), collect and collate the waste, and deliver it to the Intec Metals Recycling Project in a ready-to-process form.

Waste producers will ultimately save money in reagents and stabilisation/disposal costs, their wastewaters will be cleaner, and the Intec Process will offer them a superior environmental outcome for the metals contained in their wastes.

### **Hellyer Assets**

In December 2008, Intec reached agreement with Bass Metals Ltd (ASX Code: BSM, of which INL remains a 3.3% shareholder) for the sale of Intec's Hellyer assets, including the complete Hellyer Mill, associated facilities and infrastructure, the partially-reworked Hellyer tailings dam and associated dredge, the mining lease and associated rights to water and power for the site. The EAF dust storage shed and bunker remain the property of INL.

The agreement incorporates a conditionally non-refundable \$500,000 deposit, payment by Bass Metals of the site care and maintenance costs during the approximate two months to settlement, settlement payment of \$3,510,000 in February 2009, replacement by BSM of INL's existing \$990,000 security bond. In addition there is a unit-based mill throughput royalty capped at \$5,000,000.

The INL Directors recognise that the terms of the Hellyer sale have been reached, of necessity, against a very adverse economic background in the worldwide and local resources sector. However, the agreement secures the necessary funds to repay the Macquarie facility, as well as providing additional short-term working capital. In combination with other immediate measures to reduce outgoings described in the Corporate Activities section below, this agreement effectively funds the Company during the due diligence and financing phase of the Intec Metals Recycling Project for Newcastle.

Despite the positive exploration and mining results achieved by Bass Metals, the proposed low-cost acquisition of the Newcastle facility for the Intec Metals Recycling Project and the suspension of Intec's bulk zinc concentrate operations at Hellyer, have altered Intec's position with regard to its Hellyer assets. As a result, all of the Hellyer assets (including both the shareholding in Bass Metals and the Hellyer mill) have become non-core to Intec's primary strategy of implementing the first commercial application of the Intec Process technology. On 18 November 2008, Intec announced the sale of 19.9% of its 23.2% stake in Bass Metals for a payment of approximately \$1.85 million.

## **Browns Sulphide Project**

Throughout the December 2008 Quarter, Intec continued to progress the application of the Intec Process to the Browns Sulphide Project, a 50-50 joint venture between Compass Resources NL and Hunan Nonferrous Metals Corporation.

Optimisation testwork relating to lead extraction and recovery for the Browns Sulphide Project discovered a new stability region for lead solubility under conditions where it is likely that no researcher has previously thought to look. The result should be substantial savings in the capital cost required for the Intec Process portion of the Project, and, of course, further opportunities to patent new intellectual property to continue to 'evergreen' the protection of the Intec Process technology. In addition, this innovation offers an important potential enhancement to other projects under consideration.

## **Corporate**

### *2008 Annual General Meeting*

The 2008 Annual General Meeting was held on 18 November, 2008, with approximately 50 shareholders in attendance. In addition, over one thousand investors accessed the live broadcast of the event, with a further thousand having watched to the broadcast in the following weeks. All resolutions were passed unanimously at the meeting by show of hands.

To view the recorded broadcast of the 2008 Annual General Meeting as well as the separate Chairman's summary following the event, to view the presentation, results and photos, please go to the Intec web site: [www.intec.com.au/?/Investor\\_Information/AGM2008](http://www.intec.com.au/?/Investor_Information/AGM2008)

### *Macquarie Working Capital Facility*

Intec's A\$5.0 million working capital facility with Macquarie became due on 31 December 2008. Of this amount, a portion had already been repaid from the proceeds of the sale of Bass Metals shares. The balance is due to be paid from the proceeds of the sale to BSM of the Hellyer assets. As a long-standing supporter of Intec and a 'Top 10' shareholder, Macquarie has extended the term of the facility to allow for the orderly settling of the transaction.

### *Office Move*

Due to space pressures at the University of Sydney, Intec Ltd was required to move during November 2008. This timing fit conveniently with the availability of office space which Intec has sub-leased from CBH Resources. The move to fitted-out, furnished offices resulted in significant savings on one-off relocation costs, and the rental costs are now lower than they were at the University.

Intec's new contact details are:

|           |   |
|-----------|---|
| (street)  | Level 3, 2 Elizabeth Plaza<br>North Sydney NSW Australia 2060 |
| (mailing) | PO Box 1507<br>North Sydney NSW Australia 2059                |
| (phone)   | +61 2 9925 8170   |
| (fax)     | +61 2 9925 8110   |
| (email)   | <a href="mailto:mail@intec.com.au">mail@intec.com.au</a>      |
| (web)     | <a href="http://www.intec.com.au">www.intec.com.au</a>        |

*Cash Position*

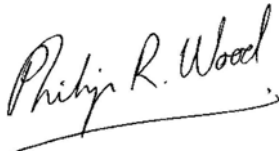
The Company's cash balance at 31 December 2008 was A\$717,731.

Intec has enacted a number of economy measures to reduce the company's rate of expenditure. This has included limited redundancies and an across-the-board 15% salary decrease for all remaining staff, directors and key consultants. As a result of the combined measures applied, Intec has reduced its average quarterly rate of expenditure by over 30%

The Directors consider that the Company's available cash, receivables, securities and other liquid current assets, are sufficient for its working capital requirements.

Yours faithfully

**Intec Ltd**



**Philip R Wood**

Managing Director and Chief Executive Officer

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 2008**

#### Consolidated statement of cash flows

#### Cash flows related to operating activities

|  | <b>Current<br/>quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|--|--|--|
| 1.1 Receipts from product sales and related debtors            | 865                                    | 6,477  |
| 1.2 Payments for   |  |  |
| (a) advertising and marketing                                  | -                                      | (4)  |
| (b) hydrometallurgical process development                     | (137)                                  | (554)  |
| (c) HZCP joint venture costs                                   | (2,047)                                | (6,565)  |
| (d) administration costs and corporate overheads               | (1,561)                                | (3,709)  |
| 1.3 Dividends received   |  |  |
| 1.4 Interest and other items of a similar nature received      | 62                                     | 102  |
| 1.5 Interest and other costs of finance paid                   | (78)                                   | (199)  |
| 1.6 Income tax rebate received                                 | -                                      | -  |
| 1.7 Other income   | 26                                     | 222  |
| <b>Net Operating Cash Flows</b>                                | <b>(2,870)</b>                         | <b>(4,230)</b>                                 |
| <b>1.8 Net Operating Cash Flows (brought forward)</b>          | <b>(2,870)</b>                         | <b>(4,230)</b>                                 |
| <b>Cash flows related to investing activities</b>              |  |  |
| 1.9 Payment for acquisition of:                                |  |  |
| (a) businesses   | -                                      | -  |
| (b) equity investments   | -                                      | -  |
| (c) intellectual property                                      | -                                      | -  |
| (d) physical non current assets                                | (343)                                  | (1,079)  |
| (e) other non current assets                                   | -                                      | -  |
| 1.10 Proceeds from disposal of:                                |  |  |
| (a) businesses   | -                                      | -  |
| (b) equity investments   | 1,846                                  | 1,846  |
| (c) intellectual property                                      | -                                      | -  |
| (d) physical non current assets                                | 500                                    | 500  |
| (e) other non current assets                                   | -                                      | -  |
| 1.11 Loans to other entities                                   | (11)                                   | (22)   |
| 1.12 Loans repaid by other entities                            |  |  |
| 1.13 Other (provide details if material) - security deposits   | -                                      | (756)  |
| Other (provide details if material) - security deposits repaid | 20                                     | 20   |
| <b>Net investing cash flows</b>                                | <b>2,012</b>                           | <b>509</b>                                     |
| <b>1.14 Total operating and investing cash flows</b>           | <b>(858)</b>                           | <b>(3,721)</b>                                 |

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

|   | <b>Current<br/>quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|--|--|
| <b>Cash flows related to financing activities</b>           |  |  |
| 1.15 Proceeds from issues of shares, options, etc.          | 55                                     | 141  |
| 1.16 Proceeds from sale of forfeited shares                 | -                                      | -  |
| 1.17 Proceeds from borrowings                               | -                                      | -  |
| 1.18 Repayment of borrowings                                | (523)                                  | (523)  |
| 1.19 Dividends paid   | -                                      | -  |
| 1.20 Other (provide details if material)- share issue costs | -                                      | (394)  |
| <b>Net financing cash flows</b>                             | <b>(468)</b>                           | <b>(776)</b>                                   |
| <b>Net increase (decrease) in cash held</b>                 |  |  |
|   | <b>(1,326)</b>                         | <b>(4,497)</b>                                 |
| 1.21 Cash at beginning of quarter/year                      | 2,044                                  | 5,215  |
| 1.22 Exchange rate adjustments to item 1.20                 | -                                      | -  |
| <b>1.23 Cash at end of quarter/year</b>                     | <b>718</b>                             | <b>718</b>                                     |

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

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

|   |     |
|---|-----|
| 1.24 Aggregate amount of payments to the parties included in item 1.2     | 102 |
| 1.25 Aggregate amount of loans to the parties included in item 1.10       | -   |
| 1.26 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<br>available<br>\$A'000 | Amount<br>used<br>\$A'000 |
|---------------------------------|--------------------------------|---------------------------|
| 3.1 Loan facilities             | 4,594                          | 4,594                     |
| 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<br>quarter<br>\$A'000 | Previous<br>quarter<br>\$A'000 |
|--|-------------------------------|--------------------------------|
| 4.1 Cash on hand and at bank                     | 68                            | 5,215                          |
| 4.2 Deposits at call                             | 650                           | -                              |
| 4.3 Bank overdraft                               | -                             | -                              |
| 4.4 Other - 30 day bank bills                    | -                             | -                              |
| <b>Total: cash at end of quarter (item 1.23)</b> | <b>718</b>                    | <b>5,215</b>                   |

Acquisitions and disposals  
of business entities

|   | Acquisitions<br>(Item 1.9(a)) | Disposals<br>(Item 1.10(a)) |
|---|-------------------------------|-----------------------------|
| 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                        |                               |                             |

**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 January 2009

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.