



Intec Ltd

ABN 25 001 150 849

Superior and Sustainable Metals Production

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Companies Announcements Office
Australian Securities Exchange

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Quarterly Activities Report: Appendix 4C March 2010

On behalf of Intec Ltd (ASX code: INL, or the Company), I now attach the March 2010 Quarterly Report for Entities Admitted on the Basis of Commitments (Appendix 4C).

Highlights

- *Senior Intec Executives have recently visited several of the project sites in China that have been under development by Green Resources (Asia Pacific) Holdings Limited, as part of a due diligence exercise being conducted prior to the completion of Stages 2 and 3 of the Subscription Agreement.*
- *Overall, Green Resources has made progress on the core Liugang Project and the other developing projects, however certain scope changes have meant that Intec and Somerley Corporate Financial Advisors cannot yet complete their due diligence.*
- *Intec will continue to monitor and support Green Resources' project development, with the first commercial project now likely to be implemented by mid-2011.*
- *Phase I trial work for the spent galvanising pickle liquor recycling project, which has been supported by EPA Victoria through the formal approval of \$780,000 of funding through the HazWaste Fund, was successfully completed during the March 2010 Quarter. As a consequence of this work, Intec lodged in early April the provisional patent for this application of the Intec Process technology.*
- *The focus of activity at Intec's Burnie Research Facility has shifted to the preparation for the Phase II commercial trials for the galvanising industry project. This work has been commenced in anticipation of milestone funding approval from EPA Victoria.*
- *Continuous pilot testing on the Browns Sulphide concentrate has demonstrated early success, selectively leaching and recovering lead as planned. Preliminary results are in line with expectations, and a full metallurgical assessment will be completed within the next month.*
- *Recognising the progressively greater impact of selling activity by La Jolla Cove Investors, Inc. through the conversion and sale of INL shares through the first convertible note, the Intec Board and senior management are currently addressing the issue with La Jolla.*
- *Bass Metals has progressed the development of its Hellyer Mine Project, from which A\$5 million in capped royalties are payable to Intec at a rate of \$2.50 per tonne throughput.*
- *The total cash available at the end of the quarter was A\$294,000.*

Operations Update

Chinese Projects

Three senior Intec executives, Kieran Rodgers (Finance Director), Dave Sammut (Corporate Development Manager) and Andrew Tong (Senior Metallurgist) visited China for a week in mid-April to tour various Green Resources project sites, including those for the Liuzhou and Nandan opportunities. Intec was joined in this tour by two representatives of Somerley Corporate Financial Advisers (from the Shanghai office), to complete Intec's and Somerley's due diligence on the Green Resources projects.

Overall, Intec found the tour to be informative and helpful. In respect of the primary project at Liuzhou city in Guangxi province, Intec visited the pilot plant facility and the proposed project site, and met with the primary contacts associated with the feedstock supplier and proposed project partner.

The scale of the adjacent steel manufacturing plant is enormous by Australian standards, having steel capacity at this single plant equivalent to or greater than Australia's entire industry. Green Resources was particularly keen to note the breadth of additional metal-bearing waste materials to which the Intec Process could be applied.

Appreciable progress has been made for the previously-discussed zinc-bearing steel dust, most particularly in the operation of the pilot plant and the generation of product samples for the client, and in the advancement of the feasibility study. However, the overall outcome of this work has also been delayed to some extent by the preference of the client steel manufacturer to incorporate into the study the Intec Process treatment of a second feedstock material, in this case a slag waste that is currently not fully utilised.

The possibility of simultaneously recycling 400,000 tpa of iron silicate slag into useable products (including feedstocks to the substantial cement plant being built within a short the project site in Liuzhou city), combined with the potential to avoid substantial government levies associated with slag waste and the overall environmental benefits of re-using these substantial quantities of material, together are such that the steel industry client has increased its emphasis on the examination of the two feedstocks as a combined project.

As a result of this additional scheduling of milestones of the Liugang project, it has been verbally agreed with Green Resources that Stage 2 of the Subscription Agreement will not be completed at the previously-nominated date of 30 June 2010. Pending the outcome of the current Green



Figure 1: Truman Wong (Managing Director, Green Resources), Andrew Tong (Senior Metallurgist, Intec), Kieran Rodgers (Finance Director, Intec) and Joe Lam (Director, Green Resources) at the Liuzhou project pilot plant.



Figure 2: High-grade calcium sulphate product samples drying in the oven at the Liuzhou project pilot plant

Resources pilot plant trials for the steel industry client, an alternative date will be set, and the agreement amended accordingly as the Liugang Project considerations progress.

Intec and Green Resources have previously discussed three other project concepts, all intended to follow the implementation of the first, key Intec Process project. Of these, Intec and Somerley's visit directly addressed the Nandan opportunities, while the Yunfu and Lingshan projects were discussed without being visited.

In respect of the Yunfu project, some limited progress has been made following a restructure of the client contact company. Green Resources is now optimistic that further progress will be made, with the intent of more serious project development in 2011.

The opportunities near Nandan are associated with key investors in Green Resources. The primary concept remains the use of the Intec Process to extract value from tailings and/or low-grade zinc concentrate from the region, also using arsenic-contaminated waste acid as inexpensive feedstock. At this stage, however, the considerations have not progressed beyond the concept stage.

Lastly, Intec visited a plating industry production and wastewater treatment site associated with the Lingshan Project. This opportunity invokes the near-term possibility of the use of Intec Process heavy metal recycling from existing operations via a comparable process to the current operations implemented at Intec's Burnie recycling facility. The longer-term intent, however, is the development over 2-3 years of a comparable plant in Guangxi province for the treatment of several thousand tonnes of wastewater per day.

Overall, Green Resources has made progress on the core Liugang Project and the other developing projects in southeastern China. However, this progress was not sufficient for Intec and Somerley to complete its due diligence or for the Intec board to approve implementation of Stage 2 of the subscription agreement in June 2010 as scheduled.

Intec will continue to monitor and support Green Resources' project development, but it is now expected that the first commercial project is unlikely to be implemented until at least mid-2011. To help minimise the time required, Intec will be shortly submitting suggestions about how this support might be enhanced to better utilise the company's technical and project expertise. Intec will also seek to implement an amended agreement when sufficient progress has been made to justify measurable INL shareholder value.



Figure 3: Andrew Tong (Senior Research Metallurgist) and Dave Sammut (Corporate Development Manager) at a zinc project site near Nandan



Figure 4: Joe Lam (Director, Green Resources) during project meetings in Hong Kong

Burnie Research Facility

Following a period of slower activity at ACL in Launceston, currently the primary supplier of heavy metal waste for recycling at Intec's Burnie Research Facility, Intec received in March sufficient payable feedstock for campaign operations to continue. The current campaign will also include the co-treatment of the first commercial quantity of a new lead-bearing cupel waste from the metallurgical services industry. This follows successful trials in the previous quarter.

The primary focus of activity at Burnie has shifted to the preparation for the Phase II commercial trials for the galvanising industry project, which is being supported by EPA Victoria through \$780,000 of funding from the HazWaste Fund for the research, demonstration and engineering portion of the proposed \$2.85 million project through Intec's project partner GB Galvanizing Service Pty Ltd (GBG).



Figure 5: John Moyes (Technical Director, Intec Ltd), Frank and Vince Gucciardo (GBG Directors), Philip Wood (Managing Director & CEO, Intec Ltd) and Andrew Tong (Project Manager & Senior Research Metallurgist, Intec Ltd) holding sheets of high-grade zinc metal cathode produced during Phase 1 testwork operations at Intec's Brookvale pilot plant.

Phase I trials were successfully completed during the March 2010 Quarter. While the details of the testwork outcomes remain confidential pending the completion of protocols between Intec, EPA Victoria and GBG, some key outcomes have included:

- Testing a range of operating variables in order to frame the key operating parameters for the technology.
- Total of 175 hours of operation, during which 289 litres of spent pickle acid were recycled.
- Both the recovery and electrowinning of zinc metal product, and also iron separation and recovery, were successfully demonstrated.

As a further outcome of the work, the company has also lodged in early April the provisional patent for this application of the Intec Process technology.

In readiness for Phase II of the testwork programme, specialised product recovery equipment are be readied at Intec's Burnie Research Facility. Over the coming months, 50,000 litres of GBG's spent galvanising pickle liquor will be recycled to produce high-quality products. As with the Phase I trials, this work has been commenced in anticipation of milestone funding approval from EPA Victoria.

With the high-grade zinc metal and fresh hydrochloric acid products to be re-used by GBG in its galvanising operations, and a market to be found for the iron and calcium sulphate products, the provisionally patented Intec Process for recycling of spent pickle liquor and other metal-bearing galvanising industry wastes potentially offers an economically and environmentally-superior 'zero-waste' outcome for widespread galvanising industry application.

While the commercial 'roll-out' of the Intec Process spent pickle liquor recycling technology can only be realistically expected to proceed following the successful demonstration at the first commercial plant in Victoria (Phase III of the programme), Intec is already receiving encouraging interest from around Australia. An example of this may be heard in the audience response to Dave Sammut's presentation to the Ai Group's Environmental Solutions Forum in Adelaide in February 2010, a video of which may be viewed on Intec's web site: www.intec.com.au

Australian Manufacturing Awards

Intec's Burnie operations were twice recognised in 2009, first as a finalist in the 2009 Tasmanian Awards for Small Business Excellence, and later as a finalist for the Eco Innovation category of the prestigious Banksia Awards.

The operations have been further recognised in 2010 as a finalist in the "Environmental Solution of the Year Award" category for the 2010 Manufacturers' Monthly Endeavour Awards. Intec will be attending an awards dinner on 12 May 2010.

Browns Sulphide Project Testwork

The Browns Sulphide polymetallic deposit in the Northern Territory is co-owned by Compass Resources Limited (currently in Administration) and Hunan Nonferrous Metals Corporation Ltd. Efforts are currently underway to recapitalise Compass Resources and reinstitute the joint venture between the parties.

The payable metals in the deposit predominantly comprise lead, cobalt, nickel and copper, with the bulk concentrate containing 20-25% lead, which



Figure 6: Adam Randall (Plant Manager) and Daryl Purdie (Senior Process Engineer) at the Burnie Research Facility, finalist for the Manufacturer's Monthly Endeavour Awards



Figure 7 Philip Wood (Managing Director & CEO) and Andrew Tong (Senior Metallurgist) at the Browns Sulphide pilot trial

complicates the metallurgical processing route. Intec's technology is ideally suited for treating this concentrate, as a highly selective lead leach can be undertaken, leaving the cobalt, nickel and copper in the leach residue for down-stream processing.

Intec has recently successfully completed a continuous laboratory-scale pilot plant campaign, treating approximately 50 kg of Browns Sulphide bulk concentrate. As planned, the lead was selectively leached from the concentrate and then re-precipitated as high grade lead sulphide. Preliminary results are in line with expectations based on the optimisation test completed in 2008-2009 for the Browns Sulphide joint venture. The full metallurgical assessment will be completed within the next month.

The aim of the work has been to prepare sufficient homogenous leach residue for investigative testwork, including differential flotation studies, on recovering cobalt, copper and nickel.

Intec has funded this pilot plant campaign and will also fund the further differential flotation development work, as part of developing its intellectual property rights to a successful and economic metallurgical treatment route for the Browns Sulphide deposit.

Corporate

La Jolla Convertible Note

On 16 November 2009, Intec signed a convertible note facility (the "Facility") with La Jolla Cove Investors, Inc. ("La Jolla") to provide up to a total of US\$3 million in working capital.

La Jolla is a California-based private investment company that finances small- to mid-sized listed companies that meet its criteria of growth potential relative to market capitalisation. To date, Intec has drawn down US\$1,250,000 of the Facility. Of this amount, La Jolla has in total elected to convert US\$1,197,943 into INL shares, retaining 33,919,750 shares (3.3%) at the close of business on 20 April 2010.

It is evident from Table 1 that La Jolla has been increasingly converting its debt to INL shares and then selling these on-market. Despite a series of positive operational announcements by Intec during early 2010, the present modus operandi of the LJCI convertible note is having a significant depressing effect on the INL share price. The Intec Board and senior management are currently addressing this issue with La Jolla and will advise the outcome when possible.

Table 1: INL Share Activity Associated with La Jolla Convertible Note

| Month | Total INL Shares Traded | La Jolla Debt Converted to INL Shares | INL Shares Sold by La Jolla | Percentage of Trading Activity | INL Closing Price (cents) |
|--------------------|-------------------------|---------------------------------------|-----------------------------|--------------------------------|---------------------------|
| Nov 2009 | 74,437,781 | US\$0 | 0 | 0% | 1.6 |
| Dec 2009 | 19,797,882 | US\$130,267 | 3,433,199 | 17% | 1.5 |
| Jan 2010 | 35,497,597 | US\$199,716 | 10,137,466 | 29% | 1.5 |
| Feb 2010 | 58,419,096 | US\$202,860 | 37,681,764 | 65% | 1.0 |
| Mar 2010 | 69,341,639 | US\$408,690 | 41,058,822 | 59% | 0.8 |
| Apr 2010 (to date) | 70,832,402 | US\$256,410 | 31,458,959 | 44% | 0.8 |

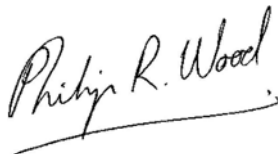
Finance

In regard to A\$5 million capped royalty payable by Bass Metals Limited to Intec at the rate of \$2.50 per tonne throughput, Bass announced on 27 April 2010 the completion of its Hellyer Mine Project financing. As noted in that announcement: “The finance commitment... follows an extensive due diligence process including detailed technical review... of the Definitive Feasibility Study and the subsequent Hellyer Operating Plan”. This financing builds upon progress noted in Bass Metals’ March 2010 Quarterly Report, “...Bass received all the statutory and internal approvals for the development of... the Hellyer Mine Project, and commenced development activities.”

The Directors consider that the Company’s available cash, receivables and other liquid current assets are sufficient for its immediate working capital requirements and that additional capital will be raised as required.

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 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities

| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|-----------------------------------------------------------|-------------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | 105 | 385 |
| 1.2 Payments for | | |
| (a) advertising and marketing | - | (8) |
| (b) hydrometallurgical process development | (447) | (1,259) |
| (c) HZCP joint venture costs | - | (215) |
| (d) administration costs and corporate overheads | (402) | (1,748) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 37 | 108 |
| 1.5 Interest and other costs of finance paid | (8) | (35) |
| 1.6 Income tax rebate received | - | - |
| 1.7 Other income | - | 50 |
| Net Operating Cash Flows | (715) | (2,722) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non current assets | (21) | (23) |
| (e) other non current assets | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non current assets | - | 3,510 |
| (e) other non current assets | - | - |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other: Hellyer EAFD Security Deposit Paid | - | (3,647) |
| Other: Cost of Sale of Hellyer assets | - | (295) |
| Other: Security Deposits Repaid | - | - |
| Net investing cash flows | (21) | (455) |
| 1.14 Total operating and investing cash flows | (736) | (3,177) |

| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|----------------------------------------------------|----------------------------------------|------------------------------------------------|
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | 676 | 1,072 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | 160 | 569 |
| 1.18 Repayment of borrowings | (23) | (82) |
| 1.19 Dividends paid | - | - |
| 1.20 Other (provide details if material) | | |
| Share Issue Costs | - | (32) |
| Foreign Exchange Call Option | - | (46) |
| Net financing cash flows | 813 | 1,481 |
| Net increase (decrease) in cash held | | |
| | 77 | (1,696) |
| 1.21 Cash at beginning of quarter/year | 217 | 1,990 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter/year | 294 | 294 |

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 | 56 |
| 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.

- 3.1 Loan facilities
- 3.2 Credit standby arrangements

| Amount available \$A'000 | Amount used \$A'000 |
|-----------------------------|------------------------|
| - | - |
| 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.

- 4.1 Cash on hand and at bank
- 4.2 Deposits at call
- 4.3 Bank overdraft
- 4.4 Other - 30 day bank bills

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--------------------------------------------------|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank | 9 | 17 |
| 4.2 Deposits at call | 285 | 200 |
| 4.3 Bank overdraft | - | - |
| 4.4 Other - 30 day bank bills | - | - |
| Total: cash at end of quarter (item 1.23) | 294 | 217 |

Acquisitions and disposals of business entities

- 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 (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|-------------------------------|-----------------------------|
| | |
| | |
| | |
| | |
| | |

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: 28 April 2010

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.