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Hellyer Project Pre-Feasibility Study

Intec Ltd (ASX code – INL) engaged H.G. Engineering of Toronto, Canada to undertake a Pre-Feasibility Study ("the Study") on the Hellyer Project ("the Project"). The Study determined the engineering design and capital and operating costs for two Project cases:

1. A 'Base Case' that provides for the treatment solely of Hellyer tailings at the annual rate of 1.0 million tonnes per annum for an eleven year Project life; and

2. An 'Enhanced Case' that provides for the co-treatment of Hellyer tailings and zinc-bearing residues such as electric arc furnace (EAF) dust. The throughput rates for the 'Enhanced Case' assume the treatment of 0.5 mtpa of Hellyer tailings and the treatment of 0.1 mpta of zinc-bearing residues.

INL has used the cost parameters established and described in the H.G. Engineering pre-feasibility study to evaluate the projected financial performance of the Project on an indicative basis only. The indicative financial analysis has been undertaken in real terms and assumes 100% equity funding. Metal prices and the US$/A$ exchange rate prevailing at 6 September 2004 have been employed to generate revenue forecasts. Summaries of the respective financial analyses for both cases are shown in Table 1.

Parameter	Base Case	Enhanced Case
Project Life	11 years	21 years
Capital Cost	A$153 m	A$137 m
Annual Net Sales Revenue	A$103 m	A$85 m
Annual Operating Cost	A$35 m	A$28 m
Net Annual Cashflow	A$67 m	A$56 m
Net Present Value: Pre-Tax *	A$258 m	A$317 m
Net Present Value: Post-Tax *	A$165 m	A$205 m
Internal Rate of Return: Pre-Tax	38.6 %	36.6 %
Internal Rate of Return: Post-Tax	30.1 %	29.3 %

* 10% discount rate

Table 1: Summary Hellyer Project Indicative Financial Analysis

As shown above, the financial evaluation of the Project at the pre-feasibility stage appears very attractive. However, there can be no assurance that the Study's operating and capital cost estimates will be confirmed in either the Project bankable feasibility study or in practice. Furthermore, future movements in both metal prices and the US$/A$ exchange rate may impact either negatively or positively on the financial evaluation of the Project. Therefore, the summary financial analyses presented in Table 1 should be considered to be indicative only of the future financial performance of the Project.

The Study may be accessed on Intec's website by following the link below:

http://www.intec.com.au/html/About_Us/Projects.shtm

At this stage, four opportunities to further enhance the financial performance of the Project have been identified and are described below.

Impact of Financial Leverage

The indicative financial analysis of the Project has been undertaken on an all-equity basis. There has been no assessment of the debt capacity of the Project nor has the likely increase in projected financial returns of incorporating debt financing into Project cashflows been assessed.

Optimisation of the Relative Treatment Rates of Hellyer Tailings and Zinc-Bearing Residues

There is a clear opportunity to optimise the co-treatment rates of Hellyer tailings and zinc-bearing residues in the Enhanced Case, thereby improving indicative Project financial performance.

Receipt of Treatment Charges for Zinc-Bearing Residues

Many producers of zinc-bearing residues, including EAF dust producers, pay either treatment or disposal fees to the receivers of the residue material. The Enhanced Case assumes no treatment fees are received by the Project in relation to zinc-bearing residues. Receipt of such fees would improve the indicative financial performance of the Enhanced Case.

Treatment of Higher Grade Zinc-Bearing Residues

The Enhanced Case assumes that the 0.1 mtpa of zinc-bearing residues treated have the metal grades shown in Table 2 below.

Metal	Grade
Zinc	20%
Lead	2%
Copper	1%
Silver	50 g/t

Table 2: Assumed Grade of Zinc-Bearing Residues in Enhanced Case

Zinc-bearing residues, in particular, EAF dust, have in many instances a higher grade of zinc than that assumed in the Enhanced Case. Treatment of higher grade zinc-bearing residues would have a beneficial effect on the indicative financial performance of the Project.

As Project development is progressed, the potential benefits of the opportunities identified above will be evaluated.

Yours sincerely
Intec Ltd

Philip R Wood
Managing Director and Chief Executive Officer