



Intec Ltd

Superior and Sustainable Metals Production



Annual Report 2009

ASX Code: INL ABN 25 001 150 849

Intec Ltd

Contents

Page

Letter from Chairman and Managing Director & CEO	1
Review of Operations	3
Directors' Report	10
Auditors' Independence Declaration	20
Income Statements	21
Balance Sheets	22
Statements of Changes in Equity	23
Cash Flow Statements	24
Notes to the Financial Statements	25
Directors' Declaration	65
Audit Report	66
Schedule of Tenements	69
Shareholder Information	70
Corporate Governance Statement	72
Corporate Directory	Inside back cover



The Intec Board, November 2008: (from the left) James Bell (Non-executive Director), Philip Wood (Managing Director & CEO), Ken Severs (Non-executive Director, retired February 2009), Kieran Rodgers (Finance Director), Trevor Jones (Chairman), John Moyes (Technical Director).

Cover: The Intec Logo and the Li River, Guangxi Province, China

Designed by Maritza Valencia-Bejarano, one of Intec's talented engineers, the Intec Logo incorporates the five elemental symbols from mediaeval alchemy for gold, silver, zinc, lead and copper (left to right, top to bottom) emblazoned over ripples representative of the hydrometallurgical Intec Process.

These five elements represent the core of a wide range of base and precious metals that are the focus of Intec's clean technology applications for mineral feedstocks, and mine and industrial waters, sludges and solids.

Ever-improving environmental standards in developing countries such as China represent major opportunities for Intec's patented hydrometallurgical recycling technology.



Letter from the Chairman and Managing Director & CEO

Dear Intec Shareholder

30 September 2009

This is Intec Ltd's (Intec's or the Company's) eighth Annual Report since listing on the Australian Securities Exchange and includes the financial statements for the year to 30 June 2009.

The 'Global Financial Crisis' impacted severely on Intec's operations and strategies during the financial year. Every single zinc-producing operation in Australia either closed or significantly curtailed production during 2008/9 and regrettably this included the Company's bulk zinc concentrate project at Hellyer. The Hellyer assets (including Intec's strategic shareholding in Bass Metals Ltd) secured Intec's working capital facility with Macquarie Bank and thus all had to be sold in order to repay that facility when it became due at the end of 2008.

Moreover, the constriction of credit and equity markets during the year caused virtually all developing minerals projects in Australia that relied on external financing to be either shelved or delayed. The minerals processing projects involving Intec were no exception.

For example, the highly promising potential application of the Intec Process to the large polymetallic Browns Sulphide Project in the Northern Territory was significantly delayed after its owner Compass Resources went into administration in January 2009. It should be noted however that Intec has continued encouraging technical co-operation with Hunan Nonferrous Metals Corporation, the 50/50 Browns Sulphide Project joint venture partner, that has ensured payment to Intec of all outstanding process development and testwork fees to date.

Similarly, Intec's proposed acquisition of a suitable site at Newcastle for the Intec Metals Recycling Project could not be financed. Also, numerous other international projects under development using the Intec Process were halted and, in the case of advanced successful testwork on a copper-gold project in Sardinia, significant testwork fees already payable to Intec had to be written off.

Intec was therefore forced to adjust its near-term strategy for the commercial implementation of the Intec Process via minerals projects, although we have again recently begun to receive numerous enquiries from mining companies around the world as the commodities environment improves.

Instead, Intec has been successful in 2009 in utilising the existing plant and personnel at Burnie for the environmentally-superior recycling of heavy metal-bearing industrial wastes into useful mineral products. The Company has announced a series of contracts under which it has efficiently recycled longstanding waste sludge and filter cake from the automotive industry (itself unfortunately also under financial stress which is now expected to result in further processing fee write-offs by Intec), with the expectation of further contracts from other Australian industries.

Such opportunities were highlighted by Intec's announcement in August 2009 that approximately \$780,000 of funding has been approved by the EPA Victoria's HazWaste Fund for the extension of the Intec Process to the zero-waste recycling of spent pickle liquor from the galvanizing industry. Intec achieved similar governmental and industry recognition of its environmental credentials twice further during the year, as a finalist for both the Tasmanian Awards for Environmental Excellence and the nationally prestigious 2009 Banksia Environmental Awards.

The loss after tax attributable to members in the 2009 financial year was \$20.685 million compared to a loss of \$2.826 million in the previous year. The 2009 financial year loss included assets impairment expenses of \$11.637 million, comprising write-downs in the value of environmental bonds (\$4.404 million), investments in associates (\$2.709 million), exploration expenditure (\$0.146 million) and the Hellyer assets (\$4.378 million). The operating loss after tax attributable to members and before impairments expenses was therefore \$9.048 million.

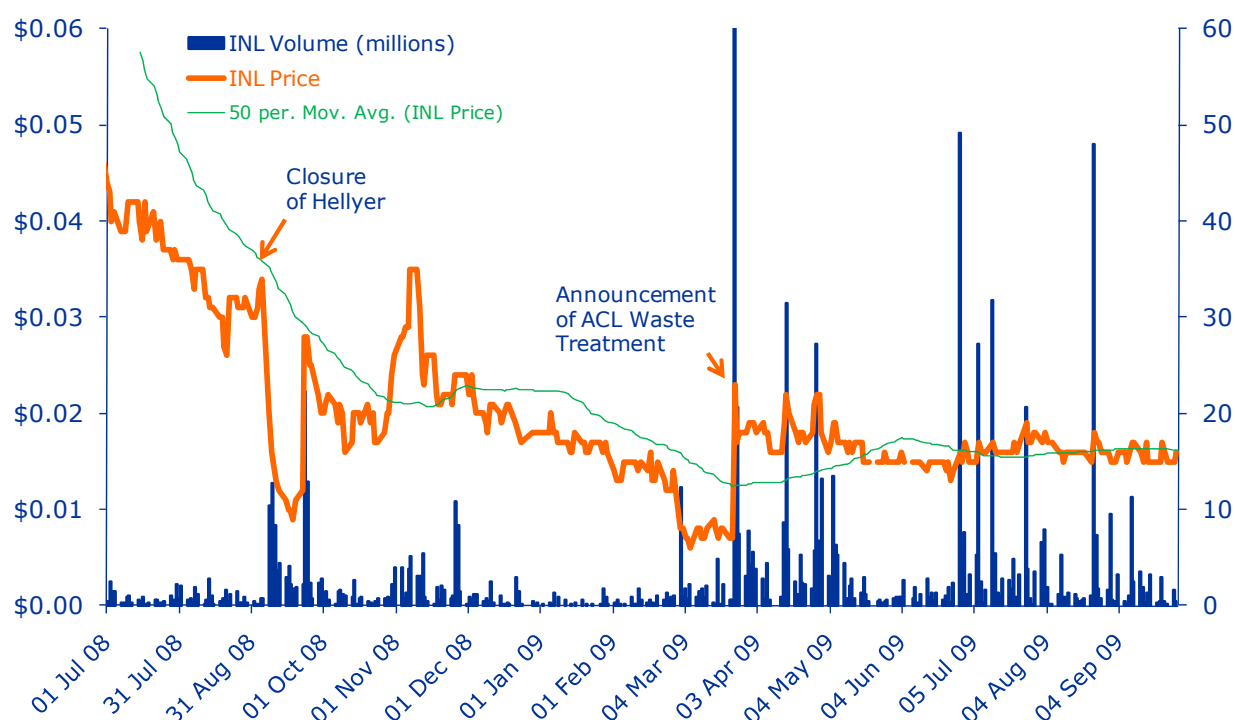
This grim financial performance was foreshadowed by Intec's steeply declining share price during the latter half of calendar 2008, although the ensuing positive prospects for Intec's metalliferous waste recycling project activities have since supported the stabilisation of Intec's share price around its current low level. (See Figure 1 overleaf).



In recognition of the adverse conditions facing the Company, all of the Directors and staff voluntarily accepted a 15% across-the-board pay cut from 1 January 2009. Following a recent review by the Remuneration Committee, salaries will remain at these reduced levels for the time being, an ongoing prudent decision that has been fully supported across the Company. We sincerely thank all of Intec's employees for their ongoing loyalty and hard work and single out Ken Severs (who retired in February 2009) for his outstanding service as a Director of the Company over many years.

Clearly, the pressure remains to deliver sustainable revenue-producing operations and, after a very difficult year, Intec's Board and management consider that your Company is now moving closer to this goal. The opportunities both in Australia and overseas (especially in China) for the Intec Process as a clean metals recovery technology remain exciting for us as 'a little fish in a big pond', and so we have adopted the Chinese traditional goldfish motif of 'good fortune' and 'wealth' for the 2009 Annual Report.

Intec Share Price and Trading Volumes (15 month)



Yours sincerely

Trevor A Jones
Chairman

Philip R Wood
Managing Director & CEO



Review of Operations

Summary

The lack of available project finance has adversely affected Intec's operations and strategies throughout 2008-2009. The year was characterised by a series of project closures during approximately the first 8 months of the year, followed by cautious growth in new projects during the latter months.

By the end of August 2008, the Australian dollar zinc and lead prices had fallen over 50% year-on-year. Project costs inputs, notably electricity, fuel, freight and reagents had increased significantly, and to a lesser extent labour and other inputs as well. As a result, the Hellyer tailings retreatment operation – using conventional grinding and flotation technology – became unprofitable, and operations were suspended.

Intec's Hellyer assets (including its strategic shareholding in Bass Metals Ltd) were security for the working capital facility with Macquarie Bank, which was required to be repaid at the end of 2008. Thus these assets were necessarily sold under adverse financial circumstances by early 2009.

Similarly, Intec's efforts to secure the proposed project site at Newcastle were rendered unsuccessful primarily by the lack of available finance. Despite the support of a range of potential feedstock suppliers and of various government departments (most notably the former NSW Department of State & Regional Development), conditions did not support further efforts on the Intec Metals Recycling Project at this time.

With the ongoing pressure of the adverse financial climate, Intec altered its strategy to deliver near-term low-hurdle waste projects rather than longer-term minerals projects. Although waste projects are smaller and individually generate less shareholder value per project, Intec has demonstrated its ability to deliver these in the near term, and cumulatively it is intended that these should provide sustainable revenue streams from which to build the Company. Intec has not yet achieved the goal of fully self-funding revenues, but the current project pipeline is expected to continue to move the Company closer to that goal.

This review of operations outlines the current projects, both operating and developing.



1.0 Intec's Research Facility at Burnie

Built in 2005, Intec's research facility at Burnie, Tasmania, continues to be a key centre of operations and development of technical know-how for the application of the Intec Process. The Intec Process plant uses a simple application of the technology to extract the heavy metals from the industrial waste and then recover those heavy metals as mineral product. While these metals would be considered a hazardous waste in conventional treatments by competing technologies, and dumped in landfill would forever prove a risk to the environment, they are instead converted using the Intec Process into mineral products that can be used as feedstock into zinc refineries and lead smelters.

The present operations yield only a clear water discharge to sewer, reflecting the basic balance that the water entering via the sludge must – after rigorous processing to clean environmental standards – come back out of the process at the end.



Element	Concentration in Waste Feedstock	Average Recovery to Product	Clear Discharge Concentration
Lead	43 wt%	>99%	<10 mg/l
Iron	1.6 wt%	>99%	<10 mg/l
Copper	2.4 wt%	>99%	<10 mg/l
Tin	7.5 wt%	>99%	<10 mg/l
Nickel	8.7 wt%	>99%	<10 mg/l
Calcium	<1 wt%	n/a	9-10 g/l
pH	10-11		6-9

Waste recycling at Burnie offered the prospect of allowing the facility to break even versus the standing costs of owning and maintaining technical capabilities at the site, however the report by the administrators of ACL on 25 September 2009 now indicates that Intec should not expect to receive up to \$240,000 of outstanding invoices from ACL, which will negatively impact the profitability of the site earlier in 2009.

In mid 2009, Intec changed the name of the wholly-owned subsidiary operating the Burnie plant to Intec Envirometals Pty Ltd, reflecting the change of focus for the facility toward clean technology and away from Hellyer.



Intec was pleased that the operation achieved early and rapid recognition for the environmental benefits offered by the clean recycling of heavy metals from industry, and the economic avoidance of landfill. The operation was a finalist in the Small Business Sustainability category of the 2009 Tasmanian Awards for Environmental Excellence. In July 2009, it was a finalist in the Eco Innovation category of the prestigious Banksia Environmental Awards.

Such recognition, in combination with Intec's ongoing marketing efforts, raises the profile of the successful application of the Intec Process for heavy metal recycling, and Intec has received incoming enquiries from each round of such publicity – for the use of Intec's Burnie-based services, as well as for larger project opportunities.

During the course of 2009, Intec was an organising participant in the fledgling Industrial Ecology Network – an industry-led effort to promote best practice environmental solutions using a more flexible and innovative definition of 'waste', which is currently being established through the Waste Management Association of Australia (of which Intec is a member). Intec will continue to seek



to identify and capture new opportunities to utilise its existing infrastructure at Burnie for the environmental and economic recycling of industrial wastes.

2.0 Victorian Galvanising Industry Project

Based on Intec's known capabilities and environmental advantages, Intec was specifically approached by EPA Victoria to participate in the 2008 HazWaste Expo in Melbourne. This was a well-attended event organised by the EPA to foster communication between industry participants requiring alternatives for their waste products, and clean technology providers like Intec.

Intec met senior representatives of GB Galvanizing Service Pty. Ltd. at that event, initiating a series of discussions that resulted in a proposal for a minimum 1,000,000 litre per year commercial recycling facility in Victoria. This proposal received full approval from EPA Victoria's Hazwaste Fund for the requested \$780,000 funding support for the research, demonstration and engineering portion of the proposed \$2.85 million project to apply the Intec Process to galvanising industry spent pickle liquor and other wastes.

Hydrochloric acid 'pickle liquor' is used worldwide to clean and prepare steel prior to hot-dip zinc galvanising. In Victoria (and elsewhere), the depleted 'spent pickle liquor' after use is currently disposed of - at rapidly increasing cost - to a licensed waste landfill facility.

The proposed application of the Intec Process for the recycling of zinc, iron and acid from galvanising industry spent pickle liquor is basically a reworking and reordering of unit operations that have been previously demonstrated at our research facility in Burnie.



Figure: An acid pickling bath prior to hot-dip zinc galvanising

The programme of works consists of three phases. Phase I involves some simple testwork at the laboratory scale to check that the chemistry of this feedstock behaves in Intec's system in the manner expected, followed by engineering and two ten-day pilot plant campaigns. These campaigns will be aimed at validating continuous operation, establishing operating conditions, process optimisation, process control strategy, and key equipment design parameters for scale up to a commercial plant. Overall, Phase I is expected to take approximately three months.

Phase II comprises a commercial-scale trial at Burnie over a period of approximately four months, actually operating the equipment in the order intended. It also involves constructing and operating at Burnie the actual cell that will later be transferred and installed at the final facility, yielding the maximum degree of confidence in the performance of the planned plant.



The HazWaste funding effectively covers the expenses of Phases I and II and Intec's services throughout that time. Once the legally binding funding agreement with EPA Victoria has been executed, Intec will get to work to commence and complete both of these phases. This will enable detailed engineering design of a dedicated facility on-site at GBG's galvanising operations in Victoria for the recycling of commercial volumes of spent pickle liquor. Provided that all of these earlier stages have been technically and economically validated, GBG would then be able to proceed to the construction of this facility.

It is expected that Intec's intellectual property derived from its waste metals recovery technology will have broad application for mine tailings water, industrial waste water and waste sludge treatment, both nationally and internationally.



3.0 Chinese Projects

Intec's July 2009 visit to China has emphasised several factors that are relevant to Intec's potential expansion into China. The opportunities for clean technology in such a large market are obvious, particularly as both the national and provincial governments there have greater means to enforce action from industry than might be readily achieved here in Australia. The market size, availability of feedstocks, and the relatively low cost of key input factors, particularly labour, support the significant potential of China as an early adopter of Intec's technology.

In fact, Intec found modern Chinese industry to be very clean and well-planned, and the Chinese business environment to be extremely open to the best practices and technologies from around the world. Importantly, as advised by Intec's patent attorneys, China's protection of patents is now also sufficiently strong and enforceable to ensure the protection of shareholder value.

There nevertheless remain key linguistic, regulatory and cultural challenges inherent to many international jurisdictions. Intec is well-placed to address these challenges through the participation and assistance of Intec's Chinese representative, Mr Joe Lam. As a former employee with approximately 15 years of experience with Intec, Mr Lam is well-versed in Intec and its technology.

During the period leading up to and following the Chinese visit, Intec has advanced discussions with potential Chinese project partners to address several identified opportunities in China, primarily in the use of the Intec Process for the recycling of industrial wastes and residues.

While there are no guarantees at this stage that this work will result in a full commercial contract, Intec is apportioning the appropriate amount of its resources to developing these Chinese opportunities.



4.0 Electric Arc Furnace Dust

Although Australian electric arc furnace (EAF) dust tends to be high in valuable zinc content by world standards, the local market is challenged by the relatively small quantities of material available for treatment, which limits the economies of scale available to any processing option.



The ability to secure a sufficient stable, long-term supply arrangement is a cornerstone to the financing of any processing plant, and the lack of available long-term supply contracts has inhibited Intec's efforts to implement local recycling options for EAF dust, first at Newcastle and later at Whyalla.

Intec has concluded its due diligence with respect to the Whyalla project option, but primarily as a result of a lack of feedstock supply security, Intec has provided notice to Ausmelt Limited for the discontinuation of exclusivity arrangements for a potential transaction related to Ausmelt's Whyalla facility. Intec has thanked Ausmelt for the professional and helpful support and cooperation of its executives throughout the project discussions.

The Company is advancing alternative options for the recycling of its EAF dust stockpiles, however the associated environmental bonds have been written down to zero in the 2008/2009 financial year accounts.



5.0 Minerals Processing Projects

The Global Financial Crisis and the concomitant steep drop in global metals prices resulted in either the cancellation or delay of minerals processing projects around the world. Few minerals projects advanced during late 2008/early 2009, and even projects supported by major mining industry 'players' failed during that time. As a result, Intec observed an associated drop in incoming enquiries for potential Intec Process projects, and several projects that were under discussion with international proponents were similarly delayed or abandoned. However, like many companies, Intec is now observing a slow resumption in minerals project activity.

Browns Sulphide Project, Northern Territory, Australia

Although the Intec Process was selected as a key component to the overall flowsheet for the polymetallic Browns Sulphide ore, the project was delayed indefinitely following Compass Resources being put into administration.

One important outcome of Intec's visit to China was the opportunity to meet with senior executives of Hunan Nonferrous Metals Corporation, the 50% joint venture partner of Compass Resources in the Browns Sulphide Project. Intec now hopes to resume paid testwork for the application of the Intec Process to this project.



Other International Projects

During 2008, Intec conducted testwork for a Canadian company related to the extraction and recovery of copper and gold from a refractory, arsenic-contaminated enargite feedstock in Sardinia. Although the work was successful and demonstrated very positive economics for the portion of the project utilising the Intec Process, the Sardinian subsidiary that owned and operated the mine has since gone into liquidation, causing Intec to write off approximately US\$165,000 in unpaid testwork fees as bad debts to Intec.

Additionally, following a period of inactivity, Intec now hopes to progress with potential project opportunities around the world, directly and through Intec's 50%-owned joint venture Intec International Projects Pty Ltd.

Intec currently has enquiries from countries such as Iran, Bolivia, Venezuela, Peru, Mexico, South Africa, China, Ukraine and Kazakhstan for the fully-funded advancement of such potential projects, which if successful will yield additional engineering services revenue in the near-term. However, any of these international projects, if they proceed, will require development over the long term. Even with external funding and active support from a potential client, project planning, engineering, approval and construction take time, and it is unlikely that from the current project pipeline a full-scale Intec Process minerals project could be implemented and commissioned anywhere outside of China before 2012.



Strategic Commentary

It is worth noting that Intec's long-term strategy for the development of shareholder value continues to be the implementation of the Intec Process at the commercial scale for large minerals projects at the earliest available opportunity. Although engineering service fees can potentially provide a useful revenue stream for Intec, the provision of such services only contributes to Intec's strategy when there is a reasonable expectation that (subject to all appropriate due diligence, engineering performance and financing hurdles) a viable project could actually be delivered. Intec lacks the resources to offer services for every project about which it is approached, and is mindful of the opportunity cost of selecting a single project for attention.

Prior to pursuing domestic or international projects, Intec conducts an initial review of the project, the competitive advantages of the Intec Process for the particular project scenario, and the ability of the project proponent to carry a project through to completion. Intec then only proposes (fully externally-funded) work on those projects that have been approved by the Board. While there can be no guarantees at the initial stages of project consideration for the overall outcome, Intec nonetheless makes every effort to ensure that paid engineering work is contributing to both the company's near-term profitability and long-term strategies.



6.0 Corporate Matters

Retirement of Ken Severs

Following a career spanning 50 years in the mining and metals industries, during which era he was Group Metallurgical Executive of Rio Tinto Corporation from 1990 to 1999, held senior executive positions with the Anglo American Group from 1964 to 1988, and latterly participated in a range of roles over the last 15 years at Intec, Mr Ken Severs retired in February 2009.



Ken's personal contributions to Intec's people have been manifold, but particularly included career mentoring of Intec's professional staff, a warm generosity of spirit to junior staff and a rigorous level of integrity, conscientiousness and intellect in the Board room. Intec continues to offer Ken our very best wishes for his happy and well deserved retirement, while enjoying his continued professional advice when volunteered.

Asset Sales and Impairment

As noted above, Intec was forced to sell its Hellyer assets in Tasmania (including its strategic stake in Bass Metals Ltd) as these were security for a working capital facility with Macquarie Bank that was required to be paid in full by end-2008. The sale of Hellyer was therefore necessarily conducted under adverse financial conditions, for a maximum total consideration of \$10 million, inclusive of future throughput royalties. In addition to this, Intec received further minor revenues through the sale of remaining reagent stocks from the Hellyer operations, as well as the sale of Intec's 50% interest in Intec Exploration Pty Ltd.

Furthermore, Intec sold its strategic shareholding in Bass Metals Ltd for a total consideration of \$2.270 million. Funds received from the sale of these non-core assets were employed to repay in full the Macquarie Bank facility and provide working capital for the Group.

In aggregate, the Group incurred an assets impairments expense to the income statement of \$11.637 million in the year to 30 June 2009. This expense is in addition to the reversal of the Hellyer asset revaluation reserve of \$13.640 million following closure of the HZCP and sale of the Hellyer assets to BSM. Total recognised impairments expense for the year was therefore \$25.277 million.

Before the assets impairments expense of \$11.637 million, the Group's operating loss after tax was \$9.048 million. This expense is reconciled to operating losses after income tax of \$20.685 million in the following table:

Consolidated Income Statement		\$'000
Loss attributable to members of Intec Ltd		(20,685)
Less:		
Diminution in value of environmental bonds		(4,404)
Diminution in value of investments in associates		(2,709)
Hellyer assets impairment expense		(4,378)
Exploration expenditure written off		(146)
Loss attributable to members of Intec Ltd before impairments expense		<u>(\$9,048)</u>





Share Purchase Plan and Placement

Intec raised approximately \$2.2 million in working capital in mid-2009 by issuing a total of 145,306,397 shares via a Share Purchase Plan and associated Placement to investors.

Intec is using the funds to move the company toward a position where it can become self-sustaining. In the meantime, the company has additional known sources of funding, such as the \$780,000 of HazWaste revenue for the Victorian project, and remains vigilant to the opportunities of future capital funding sources.

Other Matters

As a result of the combined measures applied, Intec has reduced its average quarterly rate of expenditure by over 50% since the end of the 2007-2008 financial year. This included the closure of the Sydney city office during 2009, and the reduction in staff from 23 to 12, primarily via natural attrition and voluntary redundancies.

Furthermore, the staff and directors took a voluntary 15% across-the-board pay cut from 1 January 2009, with salaries frozen at these reduced levels for the time being. The Intec Option Plan was suspended in 2008 but is anticipated to be renewed later this year.

Due to the University of Sydney's increasing space pressures, Intec's head office lease on campus was not renewed, and the Company moved in November 2008 to cheaper furnished North Sydney office space recently made available by CBH Resources Limited. The arrangement has proved mutually advantageous.





Directors' Report

Your Directors present their report on the Intec Group of Companies (referred to hereafter as the Group) consisting of Intec Ltd (Intec or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report except for Mr Ken Severs who resigned on 25 February 2009. Apart from as specified below, no Intec Director has been a director of any other ASX-listed company in the last 3 years.

Trevor A Jones B.Comm. (Melb)
Chairman

Mr Jones has spent over 30 years working in the finance industry in Australia, United Kingdom and the USA. During this time he has held senior executive positions in investment funds management, stockbroking and corporate finance, and gained a broad experience of capital structuring and capital raising, particularly in the mining sector. Mr Jones was manager of equity portfolios for Shell Australia and National Employers Mutual in the United Kingdom. He was a Director of County NatWest Securities Australia Limited in London and then Director of Corporate Finance with Westpac Institutional Bank in Sydney. More recently Mr Jones was the Sydney Chief Executive for Melbourne-based Austock Group and was Chairman of both its Corporate Finance and Investment Management divisions. He was appointed as a Non-executive Director of Intec on 28 February 2007.

Philip R Wood B.A. (Syd), LL.B. (Syd), A.S.I.A.,
Dip. L.C.F. (Sorbonne)
Managing Director and Chief Executive Officer

Mr Wood has qualified and practised as a legal and corporate adviser on local and international financial and commercial transactions in Sydney, New York, London, Bahrain and Hong Kong. He has been a Director of the Company since 1993 and was appointed Managing Director and Chief Executive Officer on 26 March 2001. He is responsible for implementation of the corporate, financial and marketing strategies of the Group. On 1 August 2007 Mr Wood was appointed a director of ASX-listed Compass Resources Ltd which went into administration on 28 January 2009.

A John Moyes B.A. (Chem) (Macquarie)
Technical Director

Mr Moyes has over 40 years of experience in the mining and metals industry, encompassing minerals analysis, laboratory management, hydro-metallurgical and electrochemical research, process development, plant design and project management. He has been a Director of the Company since 1995. In August 2009, Mr Moyes

retired from a fulltime executive position and entered into a consultancy agreement with the Company. Mr Moyes is currently a Non-executive Director of the Company.

Kenneth J Severs B.Sc., C.Eng., P.Eng., F.I.Chem. E.
Non-executive Director (resigned on 25 February 2009)

Mr Severs is a senior chemical engineer with 50 years of experience in the mining and metals industry. He has worked at all levels of management in extractive metallurgy including research and development, operations, projects, design, consultancy, marketing and executive functions. He has held senior executive positions with a number of large mining companies including nine years (1990-1999) for the Rio Tinto group as Group Metallurgical Executive and 24 years (1964-1988) for the Anglo American Group. Mr Severs was Managing Director of Intec Copper from 1995 to December 1998. He was appointed a Non-executive Director of the Company on 26 March 2001 and was Chairman from 10 October 2001 until 25 May 2004. Mr Severs resigned as a Non-executive Director on 25 February 2009.

Kieran G Rodgers B.E. (Hons.) Min. (UNSW),
M.B.A. (IMD)
Finance Director & Chief Financial Officer

Mr Rodgers joined Intec in March 2001 after 13 years of experience in merchant banking and financial consulting, principally at Resource Finance Corporation Ltd, which specifically focused on the Australian and international resources industry. Prior to entering the merchant banking sector, Mr Rodgers gained three years of operational mining engineering experience in the gold and base metals industries. Until 1 October 2008, Mr Rodgers was a director of ASX-listed Bass Metals Ltd.

James R G Bell B.A. (Syd), LL.B. (Syd)
Non-executive Director

Mr Bell is an Australian barrister and solicitor who has practised as a commercial lawyer for 30 years, including 10 years as a partner in the national law firm of Blake Dawson Waldron and 3 years as head of the Banking and Finance division of that firm in Sydney. In 1995, he established his own law firm and has advised some of Australia's major companies and professional firms across a broad spectrum of endeavour, also providing assistance to the board of Intec in relation to various corporate transactions over several years.



Company Secretaries

Robert J Waring B.Ec., C.A., F.C.I.S., F.Fin., F.A.I.C.D.
Company Secretary

Mr Waring was appointed to the position of Company Secretary of Intec in December 1998 and has over 35 years' experience in financial and corporate roles including 17 years in company secretarial roles for ASX-listed companies and 14 years as a director of an ASX-listed company. He is a director of Oakhill Hamilton Pty Ltd, a company which provides secretarial and corporate advisory services to a range of listed and unlisted companies including the Group.

David W Clark B.Com. (UNSW), C.A., C.P.A., Registered Tax Agent, M.B.A (Executive) (AGSM).
Company Secretary, Intec Subsidiaries.

Mr Clark was appointed to the position of Company Secretary of the subsidiary companies in the Intec Group on 20 March, 2008. Mr Clark has over 20 years' experience in public practice as a chartered accountant and has held positions as Financial Controller and Company Secretary providing accounting, taxation and secretarial services and advice to a diverse range of listed and unlisted public and private companies.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2009, and the numbers of meetings attended by each director were:

	Full meetings of Directors		Meetings of committees				Nomination and Remuneration	
			Audit		Corporate Governance			
	A	B	A	B	A	B	A	B
T A Jones	11	11	1	2	1	1	1	1
P R Wood	11	11	*	*	1	1	*	*
A J Moyes	11	11	*	*	*	*	*	*
K J Severs ¹	9	9	2	2	1	1	1	1
K G Rodgers	11	11	*	*	*	*	*	*
J R G Bell	11	11	2	2	1	1	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* Not a member of the relevant committee.

¹ Mr Severs resigned on 25 February 2009.

Retirement, election and continuation in office of Directors

Mr K G Rodgers is the Director retiring by rotation, and being eligible, offers himself for re-election to the Board.

Principal activities

During the year to 30 June 2009, the Group participated for a short time in the Hellyer Zinc Concentrate Project, which produced metal in concentrate by recovering tailings from the Hellyer tailings dam for re-treatment in the Hellyer Mill.

The Group also continued the commercialisation of

the Intec Processes, including the operation of its Research Facility at Burnie and associated activities.

There were no other significant changes in the nature of the activities of the Group during the year.

Dividends

No dividends have been paid to members during the financial year and no recommendation is made as to the payment of dividends.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

Closure of Hellyer Zinc Concentrate Project

The Group assumed full ownership and operational control of the Hellyer Zinc Concentrate Project (the HZCP) from 1 August 2008. Final settlement of the

previous joint venture in relation to the HZCP occurred on 29 September 2008, resulting in a net payment by the Group of \$700,000 to Polymetals (Hellyer) Pty Ltd. In addition, Polymetals (Hellyer) Pty Ltd retained certain rights to receive additional payments if certain specific assets were sold for total consideration above an agreed amount. These rights have subsequently lapsed.



Due to continued weakening in the economics of the HZCP operation, the Group announced suspension of operations on 8 September 2008 and the placement of the Hellyer facilities onto a care and maintenance status. As a consequence of suspending operations and the Group's need to obtain sufficient funds to repay the Macquarie Bank facility an orderly realisation of non-core assets was undertaken.

This involved the sale of surplus inventory, a 23.3% interest in Bass Metals Ltd (BSM) and finally the sale to BSM of the Hellyer assets, including the Hellyer Mill, associated facilities and infrastructure and the mining lease. The latter agreement provided for a payment of \$4.010 million and replacement by BSM of INL's \$0.990 million security bond on the Hellyer mining lease. In addition, the sale agreement provides for a unit-based mill throughput royalty capped at \$5.000 million.

Electric Arc Furnace dust (EAF dust)

As a consequence during July 2008 of the impact of severe weather conditions on the EAF dust storage facility at the Hellyer minesite, the Group decided to cease delivery of EAF dust to the Hellyer minesite and commenced remedial work on the EAF dust storage facility. Subsequently, the Environmental Protection Authority of Tasmania (the EPA), by letter received 11 August 2008, withdrew until further notice approval for delivery of EAF dust to the Hellyer minesite, until satisfactory remedial actions were completed. The Group advised OneSteel Limited on 9 September 2008 that it was no longer able to accept EAF dust with immediate effect. The Group is investigating a number of options for the treatment and/or disposal of its stockpiles of EAF dust.

Matters subsequent to the end of the financial year

Sale of Hellyer Assets

The Hellyer asset sale was completed in early August 2009. Funds received from the asset sale program were employed to repay in full the Macquarie Bank facility and provide working capital for the Group. As a consequence of the sale of the Hellyer assets and a change in operational focus (see below), the name of Intec Hellyer Metals Pty Ltd was changed to Intec Envirometals Pty Ltd.

Compass Resources Limited

The Group was an unsecured creditor to Compass Resources Limited (Administrators Appointed, Receivers & Managers Appointed) for an amount of \$138,000. The Group received full payment of this amount in August 2009.

Industrial Waste Treatment

The Group has an ongoing contract for the treatment of industrial wastes generated by the Tasmanian-based ACL Group. At 30 June 2009, the Group had outstanding invoices totalling \$133,742 which were paid in full in July and August 2009. On

Share Purchase Plan and Placement

On 30 April 2009 the Group announced to the ASX a Share Purchase Plan providing eligible INL shareholders the opportunity to purchase up to \$15,000 worth of INL shares at a price of 1.5 cents per share. An associated placement was also undertaken to sophisticated investors on the same terms and conditions as provided to eligible shareholders. Funds raised amounted to \$2.180 million and are being used for general working capital purposes.

Asset Impairments

In aggregate, the Group incurred an assets impairments expense to the income statement of \$11.637 million in the year to 30 June 2009. As a consequence of the closure of the HZCP and the asset sale program, a loss from the discontinued HZCP operations of \$8.070 million was incurred, including an impairment expense for the Hellyer assets of \$4.378 million. An impairment expense of \$2.709 million was also raised to reduce the carrying amount of the Group's BSM investment to its recoverable value at the date of the sale of the majority portion of the Group's interest. In addition, an impairment expense of \$4.404 million was incurred in respect of bonds lodged with relevant government authorities in relation to stockpiles of EAF dust and \$0.146 million was incurred in relation to exploration expenditure. These expenses are in addition to the reversal of the Hellyer asset revaluation reserve of \$13.640 million following closure of the HZCP and sale of the Hellyer assets to BSM. Total recognised impairments expense for the year was therefore \$25.277 million.

25 August 2009, Administrators and Receivers & Managers were appointed to the ACL Group. At this date, the Group had outstanding invoices totalling \$276,000. The Directors reasonably expect that \$36,000 of this amount will be paid in full. However, the Directors believe that the Group is unlikely to receive a material payment in relation to the remaining amount of \$240,000 based on a review of the report of the Administrators dated 21 September 2009.

On 23 August 2009, Intec announced that the Victorian HazWaste Fund had approved in principle a \$780,000 grant for development work to treat galvanising industry spent pickle liquor. A significant proportion of this grant is expected to cover Intec's continuing operating costs for this development work.

On 22 September 2009, the Group provided Ausmelt Limited with a one-month termination notice in relation to the exclusivity arrangement to investigate the possible acquisition of Ausmelt's Whyalla facility.



No other matters or circumstances have arisen since 30 June 2009 that have significantly affected or may significantly affect the Group's operations in future financial years, or the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to seek to acquire interests in mineral projects and secondary resources, including industrial waste products, where its technology creates additional value. In addition, the Group will seek to generate revenue from the provision of testwork and engineering services to third parties.

Environmental regulation

The Group's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the States of New South Wales, Victoria and Tasmania.

Intec Ltd is licensed to operate under Section 55 of the Protection of the Environment Operations Act 1997 (NSW Environment Protection Authority) and the associated Protection of the Environment Operations (General) Regulation 1998.

Intec Hellyer Metals Pty Ltd (now Intec Envirometals Pty Ltd) is licensed to operate premises in Victoria under Section 20 (9) of the Environmental Protection Act 1970.

Intec Hellyer Metals Pty Ltd (now Intec Envirometals Pty Ltd) is licensed to operate premises in Tasmania under Section 25 (5) of the Environmental Management and Pollution Control Act 1994 (Tas).

The Group is at all times in full environmental compliance with the conditions of its licences.

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration;
- B Details of remuneration;
- C Service agreements;
- D Share based compensation; and
- E Additional information.

The information provided in this remuneration report has been audited as required by Section 308 (3C) *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure that the reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to programme participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay and includes long term incentives.

The Board has established a nomination and remuneration committee which provides advice on remuneration and incentive policies and practices and makes specific recommendations on



remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Non-executive Directors. The Board reviews Non-executive Directors' fees and payments annually. The Chairman's fees are determined independently to the fees of Non-executive Directors. Individual Non-executive Directors are not present at any discussions relating to determination of their own remuneration.

Non-executive Directors' fees are determined within an aggregate Non-executive Directors' cash remuneration limit, which is periodically recommended for approval by shareholders. The current limit of \$400,000 was approved by shareholders at the 2007 Annual General Meeting held on 14 November 2007. In addition, Non-executive Directors are able to participate in issues of options pursuant to the Intec Option Plan. The values of any options granted to Non-executive Directors are not included in the aggregate cash remuneration limit as they are not cash based payments.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Intec and the Group are set out in the following tables.

The key management personnel of Intec and the Group include the Directors and the following senior executive officers:

B A Banister – *Chief Operating Officer*

D W Clark – *Financial Controller*

D J Purdie – *Senior Process Engineer*

D L Sammut – *Corporate Development Manager*

A R Tong – *Senior Research Metallurgist and Laboratory Manager*

Remuneration paid to Directors and key management personnel of the Group

2009	Short-term benefits			Post-employment benefits	Share-based payment	Total
	Cash salary	Directors' Fees	Consulting Fees	Super-annuation	Options	
Name	\$	\$	\$	\$	\$	\$
<i>Non-executive Directors</i>						
T A Jones Chairman	-	69,189	-	6,225	-	75,414
K J Severs ¹	-	38,500	6,466	-	-	44,966
J R G Bell	-	54,817	22,208	5,309	-	82,334
Sub-total Non-executive Directors	-	162,506	28,674	11,534	-	202,714
<i>Executive Directors</i>						
P R Wood	340,745	-	-	29,334	-	370,079
A J Moyes	216,887	-	-	18,858	-	235,745
K G Rodgers	256,974	-	-	22,210	-	279,184

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits;
- long term incentives through participation in the Intec Option Plan; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increase included in any senior executive's contract.

Intec Option Plan

Information on the Intec Option Plan is set out in note 40.



2009 continued

	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary \$	Directors' Fees \$	Consulting Fees \$	Super-annuation \$	Options \$	Total \$
<i>Other key management personnel</i>						
B A Banister	197,444	-	-	17,601	-	215,045
D W Clark	134,412	-	-	11,967	-	146,379
D J Purdie	153,656	-	-	13,829	-	167,485
D L Sammut	155,560	-	-	13,829	-	169,389
A R Tong	145,457	-	-	12,572	-	158,029
Totals	1,601,135	162,506	28,674	151,734	-	1,944,049

2008

	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary \$	Directors' Fees \$	Consulting Fees \$	Super-annuation \$	Options \$	Total \$
<i>Non-executive Directors</i>						
T A Jones Chairman ²	-	66,960	-	6,290	8,158	81,408
I W Ross ³	-	34,808	-	3,133	27,192	65,133
K J Severs	-	60,000	42,251	-	27,192	129,443
J R G Bell	-	59,150	18,858	5,324	16,315	99,647
Sub-total Non-executive Directors	-	220,918	61,109	14,747	78,857	375,631
<i>Executive Directors</i>						
P R Wood	360,256	-	-	30,900	135,962	527,118
A J Moyes	233,253	-	-	20,993	65,262	319,508
K G Rodgers	272,388	-	-	23,719	65,262	361,369
<i>Other key management personnel</i>						
B A Banister ⁴	64,615	-	-	5,815	-	70,430
D W Clark ⁵	37,500	-	-	3,375	-	40,875
J L Huens ⁶	122,349	-	-	11,011	17,641	151,001
D J Purdie ⁷	13,750	-	-	1,238	-	14,988
D L Sammut	167,634	-	-	15,087	35,282	218,003
A R Tong	153,365	-	-	13,803	35,282	202,450
Totals	1,425,110	220,918	61,109	140,688	433,548	2,281,373

1 Resigned 25 February 2009

2 Appointed 1 January 2008.

3 Resigned 31 December 2007.

4 Appointed 25 February 2008.

5 Appointed 17 March 2008.

6 Resigned 2 November 2007.

7 Appointed 19 May 2008.

An annual performance review of all Executive Directors and key management personnel is undertaken. The result of these reviews forms the basis of remuneration recommendations to the Nomination and Remuneration Committee.

C Service agreements and letters of employment

Remuneration and other terms of employment for the Managing Director and Chief Executive Officer, Technical Director, Finance Director and the specified executives are formalised in either service agreements or letters of employment. Each of these service agreements and letters of employment provides for the provision of long service leave to accrue at a rate of 0.87 weeks per year up to 10 years' service and 2 weeks per year for each

additional year of service, and participation in the Intec Option Plan.

Each service agreement and letter of employment provides the remuneration rate to be paid to the employee. All salaries are paid monthly by direct bank deposit. Full details of remuneration paid are included in the table in part B of this note. Other major provisions relating to remuneration are set out below.



	Start Date	Term of Agreement	Base Salary plus Superannuation at 30 June 2009 \$	Notice period for termination (months)	Redundancy payment
Directors					
P R Wood	1 July 2007	3 years	324,275	6	2 years salary
A J Moyes ¹	1 July 2007	3 years	208,463	6	2 years salary
K G Rodgers	1 July 2007	3 years	245,523	3	18 months salary
Specified Executives					
B A Banister	25 Feb 2008	No term	194,565	1	6 months salary
D W Clark	17 March 2008	No term	138,975	1	6 months salary
D J Purdie	19 May 2008	No term	152,873	1	6 months salary
D L Sammut	1 July 2007	3 years	152,873	1	12 months salary
A R Tong	1 July 2007	3 years	138,975	1	12 months salary

¹ Contract lapsed in August 2009.

D Share based compensation

Options

Options are granted under the Intec Option Plan, which was approved by shareholders at the 2001 Annual General Meeting. All directors, employees and consultants are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options are granted for a five year period, and vest and are exercisable immediately, unless otherwise stated.

Options are granted to directors, employees and consultants after a review of performances during the preceding year which is carried out in conjunction with the annual salary review. The granting of options is at the Board's discretion and no individual has a contractual right to receive options.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price ¹	Value per option at grant date	Date exercisable
5 April 2005	24 February 2010	\$0.0603	\$0.0363	5 April 2005
16 November 2005	24 February 2010	\$0.0603	\$0.0283	16 November 2005
25 September 2006	30 August 2011	\$0.1013	\$0.0670	25 September 2006
15 November 2006	30 August 2011	\$0.1013	\$0.1299	15 November 2006
14 November 2007	25 September 2012	\$0.1413	\$0.054	14 November 2007
31 January 2008 ²	25 September 2012	\$0.1413	\$0.071	31 January 2008

- Exercise prices have been adjusted from original exercise prices at the grant date as a consequence of the Company undertaking entitlement issues to all shareholders since the grant date of options as provided for in the terms and conditions of the Intec Option Plan.
- These options will not vest, and may not be exercised, until a Trigger Price Threshold of 25 cents is met. To meet the Trigger Price Threshold, the price of Intec Ltd shares traded on the ASX must have closed above 25 cents for 20 consecutive trading days or Intec must have received a bona fide offer for a majority or all of its shares whether by takeover or scheme of arrangement. During the year ended 30 June 2009 the trigger price threshold was not achieved.

Options granted under the plan carry no dividend or voting rights.

The exercise price of the options is based on the current market price on the date the options are granted as determined by the Board.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Intec and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Intec. Further information on the options is set out in notes 26 and 40 to the financial statements.



2009	Options Granted		Options exercised		Options lapsed		Total value of options granted, exercised and lapsed \$	% salary consisting of options
	Number	Value \$	Number	Value \$	Number	Value \$		
Name								
Directors of Intec ^{1,3}								
P R Wood	-	-	-	-	570,263	-	-	-
A J Moyes	-	-	-	-	753,537	-	-	-
T A Jones	-	-	-	-	-	-	-	-
I W Ross	-	-	-	-	-	-	-	-
K J Severs	-	-	-	-	140,302	-	-	-
KG Rodgers	-	-	-	-	427,520	-	-	-
J R G Bell	-	-	-	-	-	-	-	-
Other key management personnel ²								
B A Banister	-	-	-	-	-	-	-	-
D W Clark	-	-	-	-	-	-	-	-
D J Purdie	-	-	-	-	-	-	-	-
D L Sammut	-	-	-	-	-	-	-	-
A R Tong	-	-	-	-	-	-	-	-

2008	Options granted		Options exercised		Options lapsed		Total value of options granted, exercised and lapsed \$	% salary consisting of options
	Number	Value \$	Number	Value \$	Number	Value \$		
Name								
Directors of Intec ^{1,3}								
P R Wood	2,500,000	135,962	-	-	-	-	135,962	26.65
A J Moyes	1,200,000	65,262	-	-	-	-	65,262	20.43
T A Jones	150,000	8,158	-	-	-	-	8,158	10.05
I W Ross	500,000	27,192	-	-	-	-	27,192	41.75
K J Severs	500,000	27,192	-	-	-	-	27,192	20.97
KG Rodgers	1,200,000	65,262	-	-	-	-	65,262	18.51
J R G Bell	300,000	16,315	-	-	-	-	16,315	16.37
Other key management personnel ²								
B A Banister	-	-	-	-	-	-	-	-
D W Clark	-	-	-	-	-	-	-	-
J L Huens	250,000	17,641	-	-	-	-	17,641	14.65
D J Purdie	-	-	-	-	-	-	-	-
D L Sammut	500,000	35,282	-	-	-	-	35,282	16.18
A R Tong	500,000	35,282	-	-	-	-	35,282	17.43

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using share option valuation models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

There were no options granted in the twelve (12) months to 30 June 2009. The model inputs for options granted during the year ended 30 June 2008 included:

(a)	Options are granted for no consideration		
(b)	Exercise price at grant date	\$0.1500	\$0.1500
(c)	Grant date	14 November 2007	31 January 2008
(d)	Expiry date	25 September 2012	25 September 2012
(e)	Share price at grant date	\$0.14	\$0.12
(f)	Expected price volatility of the company's shares	53.1%	53.1%
(g)	Expected dividend yield	0.0%	0.0%
(h)	Risk-free interest rate	6.55%	6.55%



Shares provided on exercise of remuneration options

No ordinary shares in the Company were provided as a result of the exercise of remuneration options by a Director of Intec Ltd. No other options were exercised by any other director or key management personnel of the Group.

Shares under option

Unissued ordinary shares of Intec under option at the date of this report are shown in Note 28.

Shares issued on the exercise of options

No ordinary shares of Intec were issued during the year ended 30 June 2009 on the exercise of options granted under the Intec Option Plan. No further shares have been issued on the exercise of options since that date. No amounts are unpaid on any of the shares.

E Additional Information

During the last five years Directors' total remuneration has increased by an average of 14% per annum. This level of increase reflects the appointment of an additional Executive and Non-executive Director and the value attributed to granted options during the period.

The main principles of the Group's Remuneration Policy are to link executive reward with the strategic goals and performance of the Group; align the interests of executives with those of shareholders; reward individual performance against appropriate benchmarks and targets; and ensure total remuneration is competitive by market standards.

Insurance of officers

The Company has, by Deed of Access, Indemnity and Insurance, paid a premium to insure the Directors and Company Secretaries of the Group in respect of certain legal liabilities, including costs and expenses in successfully defending legal proceedings, whilst they remain as Directors and for seven years thereafter. The insurance contract prohibits the disclosure of the total amount of the premiums and a summary of the nature of the liabilities covered.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and taxation services provided during the year are set out below.

The Directors have considered the position and, in accordance with the advice received from the audit committee, are satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.



During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related audit firms:

		Consolidated	
		2009	2008
		\$	\$
Assurance services			
1. Audit services			
PricewaterhouseCoopers Australian firm:			
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>		112,000	186,500
Total remuneration for audit services		112,000	186,500
2. Other assurance services			
PricewaterhouseCoopers Australian firm:		-	-
Total remuneration for other assurance services		-	-
Total remuneration for assurance services		112,000	186,500
3. Non audit services			
PricewaterhouseCoopers Australian firm:			
Tax compliance services, including review of company income tax returns		19,000	13,500
Total remuneration for non audit services		19,000	13,500

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Authorisation

This report is made in accordance with a resolution of Directors. The financial report was authorised for issue by the Directors on 30 September 2009. The Company has the power to amend and revise the financial report.

Philip R Wood
Managing Director & Chief Executive Officer

Sydney
30 September 2009

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Intec Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Intec Limited and the entities it controlled during the period.



Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
30 September 2009



Income Statements

For the year ended 30 June 2009

	Notes	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Revenue from continuing operations	5	1,451	1,230	4,847	3,807
Administration expense		(770)	(1,559)	(683)	(1,120)
Bad and doubtful debts		(228)	-	-	-
Burnie Research Facility expenses		(526)	(1,034)	-	-
Depreciation and amortisation expense	6	(833)	(775)	(37)	(45)
Diminution in value of environmental bonds		(4,404)	-	-	-
Engineering and other consultants expenses		(298)	(1,211)	(241)	-
Employee benefits expense		(2,791)	(4,007)	(1,205)	(1,834)
Finance costs	6	(216)	(252)	(212)	(236)
Occupancy expense	6	(479)	(612)	(319)	(335)
Provision against advances to subsidiaries		-	-	(45,008)	(152)
Research and development expenses	6	(133)	(436)	(112)	(250)
Exploration expenditure written off	17	(146)	(2,708)	-	-
Other expenses		(855)	(715)	(92)	-
Diminution in the value of investments in associates	37b	(2,709)	(1,205)	-	-
Share of net profit/(losses) of associates accounted for using the equity method	37d	823	403	-	-
(Loss)/profit before income tax		(12,114)	(12,881)	(43,062)	(165)
Income tax expense	8	(206)	-	(206)	-
(Loss) from continuing operations		(12,320)	(12,881)	(43,268)	-
(Loss)/profit from discontinued operations	7	(8,365)	10,055	-	-
(Loss)/profit attributable to members of Intec Ltd		(20,685)	(2,826)	(43,268)	(165)
		Cents	Cents		
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:					
Basic (loss) per share	40	(1.82)	(2.34)		
Diluted (loss) per share	40	(1.82)	(2.34)		
Loss per share attributable to the ordinary equity holders of the Company:					
Basic (loss) per share	40	(3.06)	(0.51)		
Diluted (loss) per share	40	(3.06)	(0.51)		

The above income statements should be read in conjunction with the accompanying notes



Balance Sheets

As at 30 June 2009

	Notes	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	1,990	5,215	1,929	4,323
Trade and other receivables	10	326	1,394	22	98
Inventories	11	23	3,230	-	-
Non current assets classified as held for sale	12	3,715	-	-	-
Total current assets		6,054	9,839	1,951	4,421
Non current assets					
Receivables	13	877	1,134	121	40,136
Investment accounted for using the equity method	14	-	4,069	-	-
Other financial assets	15	26	-	26	-
Plant and equipment	16	4,199	33,825	13	47
Exploration expenditure	17	-	146	-	-
Intangible assets	18	10	10	-	-
Total non current assets		5,112	39,184	160	40,183
Total assets		11,166	49,023	2,111	44,604
LIABILITIES					
Current liabilities					
Trade and other payables	19	1,086	4,023	540	820
Borrowings	20	42	1,350	42	1,350
Refundable deposit	21	500	-	-	-
Provisions	22	3,648	-	-	-
Deferred revenue	23	-	2,520	-	-
Total current liabilities		5,276	7,893	582	2,170
Non current liabilities					
Deferred revenue	24	-	2,090	-	-
Provisions	25	860	1,990	84	-
Total non current liabilities		860	4,080	84	-
Total liabilities		6,136	11,973	666	2,170
Net assets		5,030	37,050	1,445	42,434
EQUITY					
Contributed equity	27	66,753	64,475	67,060	64,782
Reserves	29	2,577	16,190	2,485	2,485
Accumulated losses	30	(64,300)	(43,615)	(68,100)	(24,833)
Total equity		5,030	37,050	1,445	42,434

The above balance sheets should be read in conjunction with the accompanying notes.



Statements of Changes in Equity

For the year ended 30 June 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year	Notes	37,050	34,398	42,434	37,082
Transfer from asset revaluation reserve on recognition of impairment expense of assets available for sale	29(b)	(13,638)	-	-	-
Employee share options expense	41(b)	-	402	-	402
Share of associates' reserves	37	24	24	-	-
Share of associates' capital raising costs	37	-	(63)	-	-
Net income recognised directly in equity		(13,614)	363	-	402
(Loss) for the year		(20,685)	(2,826)	(43,268)	(165)
Total recognised income and expense for the year		(34,299)	(2,463)	(43,268)	237
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of transaction costs	27	2,278	5,115	2,278	5,115
Amounts transferred to equity on exercise of options	27	1	-	1	-
Total equity at the end of the financial year		5,030	37,050	1,445	42,434

The above statements of changes in equity should be read in conjunction with the accompanying notes.



Cash Flow Statements

For the year ended 30 June 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities	Notes				
Receipts from customers (inclusive of goods and services tax)		7,389	23,757	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(14,008)	(20,853)	(2,504)	(3,310)
Interest paid		(306)	(151)	(305)	(135)
Interest received		155	262	14	71
Other receipts		592	83	21	17
Net cash (outflow) inflow from operating activities	43	(6,178)	3,098	(2,774)	(3,357)
Cash flows from investing activities					
Payments for plant and equipment		(301)	(6,016)	(3)	(23)
Payments for security deposits		(756)	-	-	-
Proceeds from security deposits refunded		1,010	-	20	-
Payment for investments in associate		-	(1,708)	-	-
Proceeds from sale of investments in associate		2,259	-	-	-
Proceeds from sale or disposal of property, plant & equipment		514	10	7	-
Payment for non refundable deposit		(300)	-	-	-
Loans (to)/from subsidiaries		-	-	(173)	267
Loans to other entities		(2)	-	-	-
Net cash inflow (outflow) from investing activities		2,424	(7,714)	(149)	244
Cash flows from financing activities					
Proceeds from issues of shares		1,922	5,510	1,922	5,510
Proceeds from borrowings		27	1,719	27	1,350
Repayment of borrowings		(1,420)	(369)	(1,420)	-
Net cash inflow from financing activities		529	6,860	529	6,860
Net (decrease) increase in cash and cash equivalents		(3,225)	2,244	(2,394)	3,747
Cash and cash equivalents at the beginning of the financial year		5,215	2,971	4,323	576
Cash and cash equivalents at end of year	9	1,990	5,215	1,929	4,323
Financing arrangements	42				
Non-cash financing and investing activities	42				

The above cash flow statements should be read in conjunction with the accompanying notes.



Notes to the Financial Statements 30 June 2009

Contents

1	Summary of significant accounting policies
2	Financial risk management
3	Critical accounting estimates and judgements
4	Segment information
5	Revenue
6	Expenses
7	(Loss)/Profit from discontinued operations
8	Income tax expense
9	Current assets - Cash and cash equivalents
10	Current assets - Trade and other receivables
11	Current assets - Inventories at cost
12	Current assets - Non current assets classified as held for sale
13	Non current assets - Receivables
14	Non current assets - Investments accounted for using the equity method
15	Non current assets - Other financial assets
16	Non current assets - Plant and equipment
17	Non current assets - Exploration expenditure
18	Non current assets - Intangible assets
19	Current liabilities - Trade and other payables
20	Current liabilities - Borrowings
21	Current liabilities - Refundable deposit
22	Current liabilities - Provisions
23	Current liabilities - Deferred revenue
24	Non current liabilities - Deferred revenue
25	Non current liabilities - Provisions
26	Non current liabilities - Deferred income tax liability
27	Contributed equity
28	Options
29	Reserves
30	Accumulated losses
31	Key management personnel disclosures
32	Contingencies
33	Commitments
34	Financial instruments
35	Related party transactions
36	Subsidiaries
37	Investments in associates
38	Investments in joint ventures
39	Events occurring after the balance sheet date
40	Loss per share
41	Share based payments
42	Non cash investing and financing activities
43	Reconciliation of (loss)/profit after income tax to net cash flows from operating activities
44	Auditor's remuneration



Notes to the Financial Statements 30 June 2009

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for the Company as an individual entity and the Group consisting of the Company and its subsidiaries.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of the Group comply with IFRS.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving either a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below and in note 3.

Going concern

The financial report has been prepared on a going concern basis. Following closure of the Hellyer Zinc Concentrate Project on 8 September 2008 and the need to obtain sufficient funds to repay the Macquarie Bank facility an orderly realisation of non-core assets was undertaken. Based on the Group's current position, the Group will require further additional capital and/or revenue in the short term in order to continue meeting its obligations as they become due and payable. Therefore, significant uncertainty exists as to whether the Group will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial report. The Directors are considering a number of plans and initiatives to ensure that adequate funding continues to be available for the Group to meet its business objectives. The Directors consider it likely that the Group will be

successful in ensuring that adequate funding is available and therefore, no adjustments have been made to the financial report that might be necessary should the Group not continue as a going concern. Accordingly, the Directors have prepared the financial report on a going concern basis.

Burnie Research Facility

While there is significant uncertainty, the Directors consider that it is unlikely that the carrying value of non-current assets, in particular the Burnie Research Facility, would exceed the realisable value of such assets in an orderly sale process. The carrying value of the Burnie Research Facility is \$3.836 million at 30 June 2009. Intec generated revenue through the Burnie Research Facility under contracts for the treatment of industrial wastes and the provision of engineering services to third parties for the year to 30 June 2009 and will continue to do so in the short to medium term under either existing or new commercial arrangements. Accordingly, the Directors have made no adjustment to the carrying value of the Burnie Research Facility at 30 June 2009.

EAF Dust Stockpiles

As indicated in previous reports, the Group has significant stockpiles of EAF dust in two locations; the Hellyer Minesite and the Footscray, Victoria storage facility. The sale agreement for the Hellyer assets excluded the stockpile of EAF dust at Hellyer. The Group has lodged a cash backed environmental bond amounting to \$0.756 million in relation to this stockpile. In relation to the Footscray stockpile of EAF dust, the Group has lodged a \$3.648 million cash backed environmental bond with the Victorian EPA.

The Directors are investigating a range of options for the treatment and/or disposal of the EAF dust stockpiles, either by the Group itself or by external parties. At the current time the Group has not determined the most advantageous treatment and/or disposal option. In view of this uncertainty, the Directors have provided for a non-current provision equivalent to the full amount of environmental bonds lodged in relation to the EAF dust stockpiles. The Directors consider that while there is significant uncertainty, it is unlikely that the amount of the provisions would exceed the amount of security bonds lodged.

**Significant accounting policies**

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The Company has adopted relevant new and revised accounting standards and pronouncements with no material impact.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the

borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

(b) Borrowing costs

Borrowing costs are expensed.

(c) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

(d) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(e) Employee benefits**(i) Wages and salaries and annual leave**

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using share option valuation models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(iii) Share based payments

Share based compensation benefits are provided to employees via the Intec Option Plan. Information relating to the plan is set out in note 41.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The fair value of options granted under the Intec Option Plan is recognised as an employee benefit expense with a corresponding increase in equity.



(f) Exploration Expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling pre-feasibility and feasibility studies.

Exploration and evaluation expenditure also includes costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and production from the area of interest, or alternatively, by its sale, or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the area of interest are continuing.

Capitalised exploration and evaluation expenditure is reviewed for impairment at each balance sheet date.

Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project. If a project does not prove viable, all irrecoverable costs associated with the project and any related impairment provisions are written off.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment, and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are

assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(h) Financial instruments

The Group's policy with regard to 'Treasury management and financial instruments' is set out in note 2 and 34. When the Group enters into derivative contracts these transactions are designed to reduce exposures related to assets and liabilities, firm commitments or anticipated transactions.

Fair Value

Where financial instruments are accounted for at fair value, this is the amount at which they could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by discounting expected cash flows at prevailing market rates. The fair values of the Group's cash, short term borrowings and loans to subsidiaries and associates approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest. A further description of the accounting for each class of financial instruments is given below.

Financial assets

All financial assets are initially recorded at fair value. The Group may have certain investments in companies that are not associates or subsidiaries. These investments are not classed as 'available for sale'. Such investments are subsequently measured at fair value with unrealised gains and losses recognised directly in the income statement. Other financial assets that the Group has the expressed intent and ability to hold to maturity together with loans and receivables are measured at amortised cost less any impairment charges.

Financial liabilities

Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognised in the income statement over the period to maturity using the effective interest method.



Derivative financial instruments - Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts. Derivative assets and liabilities are recognised at fair value. Derivative income or loss is recognised in deferred revenue until such time as the revenue from the host contract is recognised in the income statement, at which time the derivative income/loss is also recognised in the income statement.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured in Australian dollars and the consolidated financial statements are presented in Australian dollars, which is the Company's and Group's functional and presentation currency.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the

(k) Impairment of assets

In respect of non current assets, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognised to the extent that carrying amounts exceed recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected

Financial assets at fair value through profit or loss

Financial assets subject to fair value calculation are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Available-for-sale financial assets

Gains and losses arising from changes in fair value of investments designated as "available for sale" are recognised directly in the available-for-sale reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale reserve within equity is included in the income statement for the period.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions, which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's



fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the Australian income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses or to the extent that they will be offset by deferred income tax liabilities which will reverse in the same periods.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

The Company and its wholly owned Australian subsidiaries have not implemented the tax consolidation legislation as of 30 June 2009.

(m) Intangible assets

Costs incurred in respect of intellectual property are capitalised to the extent that it is expected that the asset may be realised in the future. Intellectual property has an indefinite useful life and is not subject to amortisation and is tested for impairment annually.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is comprised of materials, labour and overheads related to the production of the inventories, on an absorption costing basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The methods used to assign costs to inventories are actual invoiced costs.

(o) Investments

Non current investments in subsidiaries are measured on the cost basis. The carrying amount of non current investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.



(p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(q) Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(r) Plant and equipment

The Hellyer plant and equipment is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of the Hellyer plant and equipment are credited, net of tax, to the asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset

(s) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2009 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting

Lease rental income in respect of assets acquired under the terms of the Hellyer Zinc Concentrate Project Joint Venture Agreement is recognised in the income statement on a straight line basis over the remaining term of the Joint Venture.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Depreciation on assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

• Hellyer plant and equipment	12 years
• Burnie Research Facility	3-40 years
• Office equipment	2-8 years
• Plant and equipment	4-7 years
• Rehabilitation asset	12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.



Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(t) *Provisions*

(i) *General*

Provisions for legal claims are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

(ii) *Provisions for close down and restoration and for environmental clean up costs*

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbances occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise on the basis of a closure plan. The cost estimates are calculated

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) *Joint Ventures*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operational and financial decisions require the unanimous consent of the parties sharing control. The Group has one joint venture.

Jointly controlled operations ('JCO's): a JCO is a joint venture in which the venturers have joint control over the operations of the joint venture. JCO's do not involve the establishment of a corporation, partnership or other entity. Each participant derives benefit from the joint activity through a share of production, rather than by receiving a share of the results of trading. The Group's proportionate interest in the assets, liabilities, revenues, expenses and cash flows of JCO's are incorporated into the Group's financial statements under the appropriate headings.

Where necessary, adjustments are made to the results of subsidiaries, joint ventures and associates to bring their accounting policies into line with those used by the Group.

annually during the life of the operation to reflect known developments e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of mining, and the majority of close down and restoration expenditure is incurred at the end of the life of the mine. Although the actual cost to be incurred is uncertain, the Group's management has estimated these respective costs based on feasibility studies, relevant government assessments and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

The initial closure provision together with other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to



discount rates are capitalised within plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence

(u) Revenue and other income recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of treatment charges, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of metal in concentrate

The terms of sale are on a cost, insurance and freight (c.i.f.) basis where all of the risks associated with the product remain with the seller until the product has been delivered to the port of discharge, when title passes to the purchaser.

Metal in concentrate is sold under medium to long term contracts. Sales revenue is only recognised in the income statement on individual sales when persuasive evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

The conditions are generally satisfied when title passes to the customer. Sales revenue is recognised when the product is delivered to the destination specified by the customer, which is the port of discharge.

The price of metal in concentrate is determined on a provisional basis at the date of despatch. Adjustments to the sales price occur based on movements in quoted market prices up to the date

Notes to the Financial Statements

of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

of final pricing. The period between provisional invoicing and final pricing is typically between 60 and 120 days. Revenue on provisionally priced concentrate is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative.

At each reporting date provisionally priced zinc, lead and silver are marked to market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for zinc, lead and silver for which there exists active and freely traded commodity markets such as the London Metals Exchange and the value of product sold by the Group is directly linked to the form in which it is traded on that market.

The marking to market of provisionally priced sales contracts is treated as an embedded derivative with changes in value recorded as an adjustment to deferred sales revenue.

(ii) Other sales of Goods and Disposal of Assets
Income from other sales of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer.

(iii) Interest Revenue

Interest revenue is recognised on an accrual basis, taking into account the interest rates applicable to financial assets.

(iv) Management Fees

Management fees are charged to subsidiaries on a cost basis for services provided and recognised as revenue in the income statement of the Company.

(v) Consulting services and treatment fees

Revenue from consulting services and treatment fees are recognised using the percentage-of-completion method for fixed-fee arrangements or as the services are provided for time-and-materials arrangements.

(vi) Royalty income

Royalty income is recognised progressively over the term of the Hellyer Zinc Concentrate Project Joint Venture at rates specified in the Joint Venture Agreement.

(vii) Lease rental income

Lease rental income in respect of assets acquired under the terms of the Hellyer Zinc Concentrate



Project Joint Venture Agreement is recognised in the income statement on a straight line basis over the remaining term of the Joint Venture.

(viii) Other income

Other income, which includes government grants and any other forms of government assistance, is

recognised on receipt or when reasonable assurance that income will be earned is established.

(ix) General

All revenue is stated net of goods and services tax (GST).

(v) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial report. Amounts in

the Financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(w) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, plant and equipment and goodwill and other intangible assets, net of related provisions, while assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for employee entitlements and rehabilitation. Segment assets and liabilities do not include income taxes.

(i) Segment information

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Accounting Standard AASB 114 Segment Reporting.

(ii) Segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are processed on an "arms-length" basis and are eliminated on consolidation.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to

(x) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(y) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009).

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009).

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It is likely to result in an

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to



Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009).

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009).

AASB 2008-1 clarifies that only service conditions and performance conditions are vesting conditions for the purpose of accounting for share-based payment expenses. All other features are non vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009).

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(s) above. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(s)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained. The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009).

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009).

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009).

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(ix) AASB Interpretation 17 Distribution of Non-Cash Assets to Owners and AASB 2008-13

Amendments to Australian Accounting Standards arising from AASB Interpretation 17 AASB-I 17 applies to situations where an entity pays dividends



by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. This is different to the Group's current policy which is to measure distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a

liability for the dividend must be recognised and that it is also measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity risk and commodity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by company management and the Board of Directors. Financial risks are identified and evaluated and, where considered necessary, strategies are put in place to investigate and/or minimise such risks. For additional discussion of the Group's financial risks, refer to Note 34.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk predominantly arising from currency exposures to the US dollar on

its sales of metal in concentrates. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Board. The Group has not entered into any foreign currency hedging contracts during the year.

(b) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. The Group has policies in place to ensure that sales of product are made to customers with an appropriate credit history. There is negligible credit risk on financial assets of the Group since there is limited exposure

to individual customers or countries and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet. Deposits and financial arrangements are held in high rated financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed finance facilities. Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding by keeping

committed finance facilities available (Refer notes 20, 34(c)(ii) and 42(b)). Finance facilities were repaid in full and cancelled in August 2009 following settlement of the sale of the Hellyer assets to Bass Metals Ltd.

(d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not currently hedge its exposure to movements in variable interest rates.

(e) Commodity price risk

The Group's normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Board and to rigid internal controls. The Group has not entered into any commodity price hedging contracts during the year. Sales of metal in concentrate are initially recognised in deferred revenue at the date of loading based on a provisional invoice. The commodity prices included in the provisional invoice

are based on London Metal Exchange (LME) market prices current on that date. The final price received is subject to adjustment based on future LME prices in accordance with the terms of individual sales contracts. At each reporting date, the value of the embedded derivative contained in sales contracts which have not been finalised is recognised in the balance sheet as a derivative asset or liability.



3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The preparation of the consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported revenue and costs during the periods

presented therein. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Hellyer Plant & equipment

The Group accounted for its Hellyer plant & equipment on a revaluation basis, which requires a valuation to be performed at least every 3 years. The last valuation was conducted in 2006. In the intervening period, the Group is required to consider factors that may indicate impairment. The Hellyer plant & equipment and the associated Heller mining lease were the subject of a sale agreement with BSM during the year. This agreement provided for a payment of \$4.010 million and replacement by BSM of INL's \$0.990 million security bond on the Hellyer mining lease. The Hellyer asset sale was

completed in early August 2009. Funds received from the asset sale program were employed to repay in full the Macquarie Bank facility and provide working capital for the Group.

As a consequence terms of the of the sale agreement, an impairment to the Hellyer Plant & equipment of \$18.0 million was made. This impairment was first charged against the revaluation reserve which was carried at \$13.6 million and the remaining incremental amount of \$4.4 million charged to the profit & loss account.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an

economically viable extraction operation can be established.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

Provision for restoration and rehabilitation

The Group's accounting policy requires the recognition of provisions for the restoration and rehabilitation of relevant operating sites. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual

expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to change in future depreciation and interest charges. For closed sites, changes to estimated costs are recognised immediately in the income statement.



Revenue recognition

The Group recognises revenue from sales of metal in concentrate at the time the ship reaches its port of discharge based on the provisional invoice issued on the date of departure. The final value of each sale is only known with certainty when the final invoice is issued.

Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses or to the extent that they will be offset by deferred income tax liabilities which will reverse in the same periods.

4 Segment information

(a) Geographical segments

The Group operates in one geographical segment, namely Australia.

(b) Business segments

The Group operates in the following industries:

(i) Metal in concentrate

Production of metal in concentrate from tailings at the Hellyer minesite. These operations were out until 31 July 2008 by the Hellyer Zinc Concentrate Project Joint Venture in which the Group had a 50% interest. The Joint Venture commenced on 1 December 2006 and ended on 31 July 2008. From 1 August 2008 until 8 September 2008 operations at Hellyer were fully owned and operated by the Group.

(ii) Research and Development

The Group continues to undertake research and development activities with respect to the commercialisation of the Intec Process technology including operation of the Burnie demonstration plant and provision of testwork and engineering services to third parties.

(c) Segment reporting – business segments, 2009

(i) Segment Revenue

	Discontinued operations (Metal in concentrate) \$'000	R & D \$'000	Consolidated \$'000
Sales to external customers	6,391	1,234	7,625
Total sales revenue	6,391	1,234	7,625
Other revenue	1,819	-	1,819
Total segment revenue	8,210	1,234	9,444
Intersegment elimination			-
Unallocated revenue			1,051
Consolidated revenue			10,495

(ii) Segment Result

Segment profit/ (loss)	(8,365)	(6,253)	(14,618)
Intersegment elimination			-
Unallocated profit/ (loss)			(5,861)
Loss before income tax			(20,479)
Income tax expense			(206)
Loss for the year			(20,685)



Notes to the Financial Statements

(iii) Segment assets and liabilities

	Discontinued operations (Metal in concentrate) \$'000	R & D \$'000	Consolidated \$'000
Segment assets	3,715	5,024	8,739
Intersegment elimination			-
Unallocated assets			2,427
Total assets			11,166
Segment liabilities	600	4,420	5,020
Intersegment elimination			-
Unallocated liabilities			1,116
Total liabilities			6,136

(iv) Other segment information

Acquisition of plant and equipment	209	14	223
Unallocated			78
Total acquisition			301
Depreciation expense	977	716	1,693

(v) Cash flow information

Net cash flow from operating activities	(6,710)	(1,167)	(7,877)
Unallocated			1,699
Total cash flows from operating activities			(6,178)
Net cash flow from investing activities	(209)	(14)	(223)
Unallocated			2,647
Total cash flow from investing activities			2,424
Net cash flow from financing activities	-	-	-
Unallocated			529
Total cash flow from financing activities			529

(d) Segment reporting – business segments, 2008

(i) Segment Revenue

	Discontinued operations (Metal in concentrate) \$'000	R & D \$'000	Consolidated \$'000
Sales to external customers	22,267	612	22,879
Total sales revenue	22,267	612	22,879
Other revenue	4,018	-	4,018
Total segment revenue	26,285	612	26,897
Intersegment elimination			-
Unallocated revenue			305
Consolidated revenue			27,202

Notes to the Financial Statements



(ii) Segment Result

	Discontinued operations (Metal in concentrate) \$'000	R & D \$'000	Consolidated \$'000
Segment profit/ (loss)	2,445	(1,800)	645
Intersegment elimination			-
Unallocated profit/ (loss)			(3,471)
Loss before income tax			(2,826)
Income tax benefit			-
Loss for the year			(2,826)

(iii) Segment assets and liabilities

Segment assets	39,780	5,127	44,907
Intersegment elimination			-
Unallocated assets			4,116
Total assets			49,023
Segment liabilities	11,275	698	11,973
Intersegment elimination			-
Unallocated liabilities			-
Total liabilities			11,973

(iv) Other segment information

Acquisition of plant and equipment		435	5,713
Unallocated			303
Total acquisition			6,016
Depreciation expense	72	703	775

(v) Cash flow information

Net cash flow from operating activities	8,076	(1,935)	6,141
Unallocated			(3,043)
Total cash flows from operating activities			3,098
Net cash flow from investing activities	(5,278)	(435)	(5,713)
Unallocated			(2,001)
Total cash flow from investing activities			(7,714)
Net cash flow from financing activities	-	-	-
Unallocated			6,860
Total cash flow from financing activities			6,860



5 Revenue from continuing operations

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
<i>Sales revenue</i>				
Consulting fees	771	612	-	-
EAF dust	154	305	-	-
Other sales revenue	-	-	5	22
	925	917	5	22
<i>Other revenue</i>				
Interest – subsidiaries (note 36)	-	-	4,829	3,715
Interest – other	152	237	13	70
Sundry income	374	76	-	-
	526	313	4,842	3,785
Total revenue	1,451	1,230	4,847	3,807

6 Expenses

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Loss before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Plant and equipment	91	37	9	10
Office furniture and equipment	35	35	28	35
Burnie Research Facility	707	703	-	-
Total depreciation recognised in income statement	833	775	37	45
<i>Finance costs</i>				
Interest and finance charges paid/payable	216	252	212	236
<i>Foreign exchange (gains)/losses</i>	(394)	67	5	-
<i>Net gain/(loss) on disposal of plant and equipment</i>	(40)	-	7	-
<i>Occupancy expense</i>	479	612	319	335
<i>Research and development</i>	133	436	112	250
<i>Superannuation</i>	287	217	85	79

7 (Loss)/Profit from discontinued operations

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
(Loss)/Profit from discontinued operations consists of the following income and expense items:				
Sale of metal	6,391	22,160	-	-
Rental and recharged income	249	31	-	-
Hellyer Joint venture lease income	-	1,781	-	-
Hellyer Joint venture royalty income	167	2,000	-	-
Sale of inventory	768	-	-	-
Other income	635	-	-	-
Zinc cost of sales	(11,902)	(15,917)	-	-
Estimated cost to sell non current assets	(295)	-	-	-
Hellyer impairments expense	(4,378)	-	-	-
(Loss)/Profit from discontinued operations	(8,365)	10,055	-	-


8 Income tax expense
(a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(Loss)/profit from operations before income tax expense/(benefit)	(20,479)	(2,826)	(43,062)	(165)
Tax at the Australian tax rate of 30% (2008 - 30%)	(6,144)	(848)	(12,919)	(50)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	5	3	4	2
Share of net (profit)/loss of associate	(247)	(121)	-	3
Share-based payments	-	121	-	121
Estimated cost to sell non current asset	89	-	-	-
Provision against advances to subsidiaries	-	-	13,502	46
Previously unrecognised tax losses now recouped to reduce current tax expense	(242)	(87)	(242)	(87)
Tax losses/temporary differences not recognised	6,745	932	(139)	(35)
Income tax expense	206	-	206	-

(b) Unrecognised tax losses

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit @ 30% (2008 - 30%)	64,371	45,809	-	808
--	---------------	--------	---	-----

All unused tax losses were incurred by Australian entities.	19,311	13,743	-	242
---	---------------	--------	---	-----

The benefit for tax losses will only be obtained if:

- the Company and the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses and temporary difference to be realised;
- the Company and the Group comply with the conditions for deductibility imposed by the tax legislation; and
- no changes in tax legislation adversely affect the Company and the Group in realising the benefit from deductions for the losses and temporary differences.

In addition, the availability of certain tax losses is subject to the Group successfully establishing deductibility, and in particular, satisfying the continuity of ownership test and the same business test.

(c) Tax consolidation legislation

The Company and its wholly-owned Australian subsidiaries have not implemented the tax consolidation legislation as of 30 June 2009.

9 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	1,990	5,215	1,929	4,323
	1,990	5,215	1,929	4,323

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

(b) Cash at bank and on hand

These are interest bearing at interest rates between 2.95% and 7.20% (2008 - 3.60% and 4.75%) for account balances greater than \$500,000.

10 Current assets - Trade and other receivables

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade debtors	273	1,191	-	20
GST receivables	14	111	-	-
Other receivables	13	27	4	20
Prepayments	26	65	18	58
	326	1,394	22	98


11 Current assets - Inventories at cost

	Consolidated 2009	2008	Parent entity 2009	2008
	\$'000	\$'000	\$'000	\$'000
Metal in concentrate	-	2,003	-	-
Spares and reagents	23	1,060	-	-
Goods in transit	-	-	-	-
Work in progress	-	167	-	-
	23	3,230	-	-

12 Current assets - non current assets classified as held for sale

	Consolidated 2009	2008	Parent entity 2009	2008
	\$'000	\$'000	\$'000	\$'000
Non current assets classified as held for sale	4,010	-	-	-
Estimated cost to sell non current assets	(295)	-	-	-
Total non current assets classified as held for sale	3,715	-	-	-

Refer to Note 39 for further details of the sale of non current assets.

13 Non current assets – Receivables

	Consolidated 2009	2008	Parent entity 2009	2008
	\$'000	\$'000	\$'000	\$'000
Loans to associates	-	23	-	14
Loans to subsidiaries	-	-	51,978	47,375
Provision for diminution in value	-	-	(51,978)	(7,374)
Tenement security deposits	877	1,111	121	121
	877	1,134	121	40,136

(a) Fair values

The fair values of receivables of the Group approximate the carrying values.

(b) Interest rate risk

The Group is exposed to interest rate risk to the extent that tenement security deposits are interest bearing while receivables are non-interest bearing.

(c) Credit risk

The Group deals with a small number of customers in relation to sales of metal in concentrate. Credit risk is assessed for each customer on an individual basis. Refer to note 2 for more information on the risk management policy of the Group.

(d) Tenement security deposits

These deposits are bearing floating interest rates between 2.8% and 8.1% (2008 – 6.55% and 7.30%). These deposits have an average maturity of 30 days.

14 Non current assets - Investments accounted for using the equity method

	Consolidated 2009	2008	Parent entity 2009	2008
	\$'000	\$'000	\$'000	\$'000
Shares in associate (note 37)	-	4,069	-	-

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by a subsidiary, Intec Hellyer Metals Pty Ltd (refer to note 37).


(b) Investments in related parties

Refer to notes 36, 37 and 38 for information on the carrying amount of investments in subsidiaries, associates and joint ventures respectively.

15 Non current assets - Other financial assets

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Shares in subsidiaries, at cost (note 36)	-	-	6,036	6,036
Provision for diminution in value	-	-	(6,036)	(6,036)
Shares in unlisted companies, at cost	26	-	26	-
	26	-	26	-

16 Non current assets - Plant and equipment

Consolidated	Hellyer plant and equipment \$'000	Office equipment \$'000	Plant and equipment \$'000	Burnie Research Facility \$'000	Plant and equipment under construction \$'000	Total \$'000
At 1 July, 2007						
Cost or fair value	26,495	220	165	5,908	1,990	34,778
Accumulated depreciation	(2,007)	(164)	(152)	(1,053)	-	(3,376)
Net book amount	24,488	56	13	4,855	1,990	31,402
Year ended 30 June 2008						
Opening net book amount	24,488	56	13	4,855	1,990	31,402
Additions	4,925	23	364	401	-	5,713
Depreciation charge	(2,514)	(35)	(38)	(703)	-	(3,290)
Disposals/Impairments/ Transfers	-	-	-	-	-	-
Closing net book amount	26,899	44	339	4,553	1,990	33,825
At 1 July 2008						
Cost or fair value	31,420	232	525	6,309	1,990	40,476
Accumulated depreciation	(4,521)	(188)	(186)	(1,756)	-	(6,651)
Net book amount	26,899	44	339	4,553	1,990	33,825
Year ended 30 June 2009						
Opening net book amount	26,899	44	339	4,553	1,990	33,825
Additions	209	3	77	14	-	303
Depreciation charge	(372)	(34)	(81)	(716)	-	(1,203)
Disposals/Impairments/ Transfers	(26,736)	-	-	-	(1,990)	(28,726)
Closing net book amount	-	13	335	3,851	-	4,199
At 30 June 2009						
Cost or fair value	-	235	572	6,323	-	7,130
Accumulated depreciation	-	(222)	(237)	(2,472)	-	(2,931)
Net book amount	-	13	335	3,851	-	4,199



Notes to the Financial Statements

Parent entity

At 1 July 2007

Cost	
Accumulated depreciation	

Office equipment	Plant and equipment	Total
\$'000	\$'000	\$'000
220	165	385
(164)	(152)	(316)
56	13	69

Net book amount

Year ended 30 June 2008

Opening net book amount	
Additions	
Depreciation charge	
Disposals	

56	13	69
23	-	23
(35)	(10)	(45)
-	-	-
44	3	47

Closing net book amount

At 1 July 2008

Cost or fair value	
Accumulated depreciation	

232	161	393
(188)	(158)	(346)

Net book amount

44	3	47
----	---	----

Year ended 30 June 2009

Opening net book amount	
Additions	
Depreciation charge	
Disposals	

44	3	47
3	-	3
(34)	(3)	(37)
-	-	-

Closing net book amount

13	-	13
----	---	----

At 30 June 2009

Cost or fair value	
Accumulated depreciation	

235	131	366
(222)	(131)	(353)

Net book amount

13	-	13
----	---	----

17 Non current assets - Exploration expenditure

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Costs carried forward in respect of areas of interest in exploration and evaluation phases	-	146	-	-
Movement for year:				
Balance at beginning of year	146	2,854	-	7
Exploration expenditure written off	(146)	(2,708)	-	(7)
Acquisition of subsidiaries	-	-	-	-
Expenditure during the year	-	-	-	-
Balance at end of year	-	146	-	-

18 Non current assets - Intangible assets

Intellectual property

	Consolidated 2009 \$'000	Parent entity 2009 \$'000
At 1 July 2007		
Cost	10	-
Accumulated impairment	-	-
Net book amount	10	-
Year ended 30 June 2008		
Opening net book amount	10	-
Additions	-	-
Impairment charge	-	-
Closing net book amount	10	-



Intellectual property	Consolidated 2009 \$'000	Parent entity 2009 \$'000
At 1 July 2008		
Cost	10	-
Accumulated impairment	-	-
Net book amount	10	-
Year ended 30 June 2009		
Opening net book amount	10	-
Additions	-	-
Impairment charge	-	-
Closing net book amount	10	-
At 30 June 2009		
Cost	10	-
Accumulated impairment	-	-
Net book amount	10	-

19 Current liabilities – Trade and other payables

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Trade payables	624	3,382	200	413
Other payables	56	80	32	105
Interest payable	-	100	-	100
Employee entitlements	200	461	102	202
Income tax payable	206	-	206	-
	1,086	4,023	540	820

20 Current liabilities – Borrowings

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Secured Bank Loan	27	1,350	27	1,350
Other Borrowings	15	-	15	-
	42	1,350	42	1,350

21 Current liabilities – Refundable deposit

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Refundable deposit	500	-	-	-
	500	-	-	-

A conditionally refundable deposit of \$0.5 million was received from Bass Metals Ltd on 19 December 2008 for the purchase of the Hellyer assets. The Hellyer asset sale was completed in August 2009 (refer to note 39).

22 Current liabilities – Provisions

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
(a) Balances				
Environmental bond	3,648	-	-	-
	3,648	-	-	-



(b) Movements in provisions

Environmental Bonds

	Consolidated 2009 \$'000
Balance 1 July 2008	-
Provided during year	3,648
Released during year	-
Balance 30 June 2009	3,648

(c) Nature and purpose of provision

The environmental bond relates to the stockpile of EAF Dust at the Footscray storage facility in Victoria.

23 Current liabilities – Deferred revenue

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Current portion of deferred revenue amounts				
Royalty revenue (note 35 (g) (iii))	-	2,000	-	-
Sales revenue	-	-	-	-
Lease rental revenue (note 35 (g) (iv))	-	520	-	-
	-	2,520	-	-

24 Non current liabilities – Deferred revenue

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2008 \$'000	2008 \$'000
Non current portion of deferred revenue amounts				
Royalty revenue (note 35 (g) (iii))	-	833	-	-
Lease rentals revenue (note 35 (g) (iv))	-	1,257	-	-
	-	2,090	-	-

25 Non current liabilities – Provisions

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
(a) Balances				
Environmental bond	756	-	-	-
Long Service Leave	104	-	84	-
Rehabilitation	-	1,990	-	-
	860	1,990	84	-

(b) Movements in provisions

	Other \$'000	Rehabilitation \$'000
Balance 1 July 2008	-	1,990
Provided during year	860	-
Released during year	-	(1,990)
Balance 30 June 2009	860	-

(c) Nature and purpose of provision

The environmental bond relates to the stockpile of EAFD at the Hellyer minesite. This stockpile was excluded from the sale of the Hellyer assets to BSM.


26 Non current liabilities – Deferred income tax liability

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Deferred income tax liability on temporary difference arising on revaluation of Hellyer plant and equipment recognised directly in equity	-	4,811	-	-
Reduction of deferred tax liability due to amortisation of revaluation of the Hellyer Plant during the year	-	(493)	-	-
Offset by deferred income tax assets recognised in the income statement in respect of:				
Revenue tax losses	-	(4,318)	-	-
	-	-	-	-

The tax losses and temporary differences have been recognised to the extent that a deferred income tax liability exists.

27 Contributed equity
(a) Share capital

		Parent entity	Parent entity
		2009	2008
		Shares	Shares
	Notes	\$'000	\$'000
	(b)(c)		
Ordinary shares		819,173,709	671,519,848
Fully paid			
		67,060	64,782
Total contributed equity		819,173,709	671,519,848
		67,060	64,782

(b) Movements in ordinary share capital

Date	Details	Number of	Issue price	\$'000
2009		shares		
1-7-2008	Balance at beginning of year – Company	671,519,848		64,782
31-07-2008	Cash received from the 2008 Entitlements Issue	-	5.0	86
18-12-2008	Issued as consideration for financial advisory services at 2 cents per share.	2,767,000	2.0	56
30-04-2009	Issued as consideration for consulting services at 1.725 cents per share.	1,650,179	1.725	29
30-04-2009	Issued from the exercise of options at 8 cents per share.	10,000	8.0	1
22-06-2009	Issued pursuant to the 2009 Share Purchase Plan and associated Placement at 1.5 cents per share.	132,539,834	1.5	1,988
22-06-2009	Issued as consideration for consulting and representative services at 1.5 cents per share.	10,686,848	1.5	160
30-06-2009	Transaction costs pursuant to the 2009 Share Purchase Plan and associated Placement			(42)
30-6-2009	Balance at end of year – Company	819,173,709		67,060

Consolidated

30-6-2008	Less share of associates capital raising costs expensed directly in equity			(307)
30-6-2009	Balance at end of year – Consolidated	819,173,709		66,753

The purpose of the 2009 Share Purchase Plan and associated Placement was to provide working capital to the Group following cessation of operations at Hellyer and concurrent slowdown in economic activity over the financial year.

Date	Details	Number of	Issue price	\$'000
2008		shares		
1-7-2007	Balance at start of year	559,599,873		59,666
27-6-2008	New Shares issued under Entitlements Issue	111,919,975	5.0	5,116
30-6-2008	Balance at end of year – Company	671,519,848		64,782



Consolidated (continued)

Date 2008	Details	Number of shares	Issue price	\$'000
30-6-2008	Less share of associates capital raising costs expensed directly in equity			(307)
30-6-2008	Balance at end of year – Consolidated	671,519,848		64,475

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to the Intec Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 41.

28 Options

Consolidated and parent entity

2009

Issue Date	Expiry Date	Exercise Price ¹	Number on issue 30 June 2008	Granted during year	Lapsed during year	Exercised during year	Number on issue 30 June 2009
26.11.2003	26.11.2008	\$0.0913	3,177,916	-	(3,177,916)	-	Nil
1999 to 2000	30.06.2009	\$0.4876	1,275,000	-	(1,275,000)	-	Nil
27.06.2008	31.12.2009	\$0.0800	111,919,975	-	-	(10,000)	111,909,975
27.06.2008	31.12.2009	\$0.0800	20,000,000	-	-	-	20,000,000
05.04.2005	24.02.2010	\$0.0603	2,406,289	-	-	-	2,406,289
16.11.2005	24.02.2010	\$0.0603	3,462,725	-	-	-	3,462,725
25.08.2006	30.08.2011	\$0.1013	4,610,000	-	-	-	4,610,000
15.11.2006	30.08.2011	\$0.1013	2,600,000	-	-	-	2,600,000
14.11.2007	25.09.2012	\$0.1413	4,700,000	-	-	-	4,700,000
31.01.2008	25.09.2012	\$0.1413	6,350,000	-	-	-	6,350,000
Total Options on issue			160,501,905	-	(4,452,916)	(10,000)	156,038,989

Consolidated and parent entity

2008

Issue Date	Expiry Date	Exercise Price ¹	Number on issue 30 June 2007	Granted during year	Lapsed during year	Exercised during year	Number on issue 30 June 2008
16.07.2002	16.07.2007	\$0.2376	2,363,150	-	(2,363,150)	-	Nil
20.11.2002	16.07.2007	\$0.2376	4,281,947	-	(4,281,947)	-	Nil
28.11.2005	30.06.2008	\$0.0800	25,000,000	-	(25,000,000)	-	Nil
30.04.2006	30.06.2008	\$0.0800	20,000,000	-	(20,000,000)	-	Nil
26.11.2003	26.11.2008	\$0.0913	3,177,916	-	-	-	3,177,916
1999 to 2000	30.06.2009	\$0.4876	1,275,000	-	-	-	1,275,000
27.06.2008	31.12.2009	\$0.0800	-	111,919,975	-	-	111,919,975
27.06.2008	31.12.2009	\$0.0800	-	20,000,000	-	-	20,000,000
05.04.2005	24.02.2010	\$0.0603	2,406,289	-	-	-	2,406,289
16.11.2005	24.02.2010	\$0.0603	3,462,725	-	-	-	3,462,725
25.08.2006	30.08.2011	\$0.1013	4,610,000	-	-	-	4,610,000
15.11.2006	30.08.2011	\$0.1013	2,600,000	-	-	-	2,600,000
14.11.2007	25.09.2012	\$0.1413	-	4,700,000	-	-	4,700,000
31.01.2008	25.09.2012	\$0.1413	-	6,350,000	-	-	6,350,000
Total Options on issue			69,177,027	142,969,975	(51,645,097)	-	160,501,905

¹ Exercise prices have been adjusted from original exercise prices at the grant date as a consequence of the Company undertaking entitlement issues to all shareholders since the grant date of options as provided for in the terms and conditions of the Intec Option Plan.



All options have been issued pursuant to the Intec Option Plan (Refer note 41) except for the following:

(i) The options expiring on 30 June 2009 were issued pursuant to specific contracts with former Directors and a former employee.

(ii) The options expiring on 31 December 2009 were issued in accordance with an Entitlements Issue in June 2008 to shareholders of 111,919,975 new shares together with 111,919,975 free attaching options issued on a 1 for 1 basis. In addition, 20,000,000 options were issued to the underwriter of the Entitlements Issue.

29 Reserves

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
(a) Reserves				
Share-based payments reserve	2,577	2,552	2,485	2,485
Asset revaluation reserve	-	13,638	-	-
	2,577	16,190	2,485	2,485
(b) Movements				
<i>Share-based payments reserve</i>				
Balance 1 July	2,552	2,126	2,485	2,084
Option expense (refer note 41(b))	-	402	-	402
Share of associates reserves	25	24	-	(1)
Balance 30 June	2,577	2,552	2,485	2,485
<i>Asset revaluation reserve</i>				
Balance 1 July	13,638	13,638	-	-
Recognition of impairment expense of assets available for sale	(13,638)	-	-	-
Balance 30 June	-	13,638	-	-
Total reserves	2,577	16,190	2,485	2,485

(c) Nature and purpose of reserves

Share based payments reserve

The share based payments reserve records the value of options issued by the Company. The consolidated share based payments reserve includes the Group's share of the reserves of its associated company, Bass Metals Ltd.

The value of options issued under the Intec Option Plan to directors, employees and consultants has been recognised as an employment expense in the income statement.

Asset revaluation reserve

The asset revaluation reserve recorded the increase in value of the Hellyer plant and equipment on the receipt of an independent valuation, which was reduced by the deferred income tax liability which arises on the revaluation. The revaluation increment was reversed during the year.

30 Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Balance 1 July	(43,615)	(40,789)	(24,833)	(24,668)
Net (loss) /profit for the year	(20,685)	(2,826)	(43,267)	(165)
Balance 30 June	(64,300)	(43,615)	(68,100)	(24,833)



31 Key management personnel disclosures

(a) Directors

The following persons were Directors of the Company during the financial year:

(i) *Chairman – Non-executive*
T A Jones

(iii) *Non-executive Directors*
K J Severs (resigned 25 February 2009)
J R G Bell

(ii) *Executive Directors*
P R Wood, Managing Director and Chief Executive Officer
A J Moyes, Technical Director
K G Rodgers, Finance Director and Chief Financial Officer

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
B A Banister	Chief Operating Officer
D W Clark	Financial Controller
D J Purdie	Senior Process Engineer
D L Sammut	Corporate Development Manager
A R Tong	Senior Research Metallurgist and Laboratory Manager

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	1,797,939	1,707,137	928,935	952,171
Post-employment benefits	151,734	140,688	75,045	72,741
Long-term benefits	-	-	-	-
Share-based payments	-	433,548	-	280,081
	1,949,673	2,281,373	1,003,980	1,304,993

(d) Equity instrument disclosures relating to key management personnel

(i) *Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 16 to 18.

(ii) *Option holdings*

The numbers of options over ordinary shares in the company held during the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, are set out below.

2009		Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Name	Balance at the start of the year					
<i>Directors of Intec Ltd</i>						
P R Wood	5,842,515	-	-	(570,263)	5,272,252	5,272,252
A J Moyes	3,776,212	-	-	(753,537)	3,022,675	3,022,675
T A Jones	903,800	-	-	-	903,800	903,800
K G Rodgers	3,095,886	-	-	(427,520)	2,668,366	2,668,366
I W Ross	1,229,783	-	-	-	1,229,783	1,229,783
K J Severs	1,516,199	-	-	(140,302)	1,375,897	1,375,897
J R G Bell	466,000	-	-	-	466,000	466,000
<i>Other key management personnel of the Group</i>						
B A Banister	42,000	-	-	-	42,000	42,000
D W Clark	40,000	-	-	-	40,000	40,000
D J Purdie	-	-	-	-	-	-
D L Sammut	569,093	-	-	-	569,093	569,093
A R Tong	1,495,287	-	-	-	1,495,287	1,495,287



2008		Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Name	Balance at the start of the year					
<i>Directors of Intec Ltd</i>						
P R Wood	4,831,188	2,500,000	-	(1,488,673)	5,842,515	5,842,515
A J Moyes	4,015,118	1,200,000	-	(1,438,906)	3,776,212	3,776,212
T A Jones	-	150,000	-	753,800	903,800	903,800
K G Rodgers	2,376,783	1,200,000	-	(480,897)	3,095,886	3,095,886
I W Ross	729,783	500,000	-	-	1,229,783	1,229,783
K J Severs	1,071,010	500,000	-	(4,811)	1,566,199	1,566,199
J R G Bell	-	300,000	-	166,000	466,000	466,000
<i>Other key management personnel of the Group</i>						
B A Banister	-	-	-	42,000	42,000	42,000
D W Clark	-	-	-	40,000	40,000	40,000
J L Huens	1,711,886	250,000	-	-	1,961,886	1,961,886
D J Purdie	-	-	-	-	-	-
D L Sammut	-	500,000	-	69,093	569,093	569,093
A R Tong	995,287	500,000	-	-	1,495,287	1,495,287

(iii) *Share holdings*

The number of shares in the company held at the end of the financial year by each Director of the Company and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
Ordinary shares				
<i>Directors of Intec Ltd</i>				
P R Wood	2,850,168	-	1,520,000	4,370,168
A J Moyes	1,860,040	-	1,000,000	2,860,040
T A Jones	2,022,875	-	666,668	2,689,543
K J Severs	1,744,902	-	666,667	2,411,569
K G Rodgers	456,157	-	673,400	1,129,557
J R G Bell	936,000	-	100,000	1,036,000
<i>Other key management personnel of the Group</i>				
B A Banister	252,000	-	1,426,000	1,678,000
D W Clark	70,000	-	280,000	350,000
D J Purdie	-	-	200,000	200,000
D L Sammut	414,558	-	81,054	495,612
A R Tong	-	-	-	-

2008	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
Ordinary shares				
<i>Directors of Intec Ltd</i>				
P R Wood	2,170,770	-	679,398	2,850,168
A J Moyes	1,550,033	-	310,007	1,860,040
T A Jones	1,269,075	-	753,800	2,022,875
I W Ross	617,919	-	-	617,919
K J Severs	1,444,918	-	299,984	1,744,902
K G Rodgers	263,464	-	192,693	456,157
J R G Bell	770,000	-	166,000	936,000
<i>Other key management personnel of the Group</i>				
B A Banister	-	-	252,000	252,000
D W Clark	-	-	70,000	70,000
J L Huens	-	-	-	-
D J Purdie	-	-	-	-
D L Sammut	-	-	414,558	414,558
A R Tong	-	-	-	-



32 Contingencies

(a) Contingent liabilities

The parent entity and Group had contingent liabilities at 30 June 2009 in respect of:

R&D Start grant repayable component

The Group received an R&D Start grant from the Federal Government which is partly repayable contingent upon the successful commercialisation of the technology for which the R&D Start grant was made. The original contingent liability that may be repaid is \$1,832,085. The repayment rate is set at 30% of the revenues generated from the

technology annually until the repayable component has been repaid. Interest is currently accruing on this amount, and the current contingent liability including interest is \$3,411,879 (2008 - \$3,257,294).

There are no other contingent liabilities of the Group.

33 Commitments

(a) Capital commitments

There are no commitments for capital expenditure at the reporting date.

(b) Lease commitments

Operating leases

The Group leases various items of office equipment under non cancellable operating leases expiring within two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	17	15	-	-
Later than one year but not later than five years	62	-	-	-
Later than five years	-	-	-	-
	79	15	-	-

The Group also leases various items of plant and machinery under cancellable operating leases. The Group is required to give six months notice for termination of these leases.

(c) Joint Venture capital commitments

The Hellyer Zinc Concentrate Project Joint Venture ceased on 1 August 2008 and there were no outstanding capital commitments. (2008 - nil).

(d) Tenement commitments

There are no minimum annual expenditure requirements attached to the tenements held by the Group. Details of tenements held are shown in the Schedule of Tenements.

34 Financial Instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are

recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 and Note 2 to the financial statements.


(b) Categorisation of financial instruments

The Group and the parent entity hold the following financial instruments:

	Consolidated Carrying amount		Parent Entity Carrying amount	
	2009	2008	2009	2008
Financial assets	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,990	5,215	1,929	4,323
Receivables	1,203	2,528	143	40,234
Other financial assets	26	-	26	-
	3,219	7,743	2,098	44,557
Financial liabilities				
Trade and Other Payables (Note 19)	624	3,382	436	413
Other Payables	56	80	-	105
Refundable deposit	500	-	-	-
Interest Payables	-	100	-	100
Interest Bearing Liabilities	42	1,350	42	1,350
	1,222	4,912	478	1,968

(c) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, market risk and cash flow and fair value interest rate risk. The Directors review and approve policies for managing each of these risks which are summarised below.

(i) Credit risk

The Group's exposure to credit risk arises from the potential default of counterparties on their contractual obligations resulting in a financial loss to the Group. Credit risk is monitored on a regular basis. Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. In addition, the Group does not engage in hedging of its financial assets.

The Group has policies in place to ensure that sales of product are made to customers with an appropriate credit history. There is negligible credit risk on financial assets, excluding metal in concentrate debtors. Metal in concentrate debtors cause a concentration of credit risk as there is a small number of debtors and a low volume of high value sales. Exposure to individual customers or countries is limited to the amount of cash, short term deposits and receivables recognised at balance date and is minimised by using recognised financial intermediaries as counterparties and established letters of credit.

The Group does not hold either collateral as security or credit enhancements relating to any of its financial assets. As at the reporting date, there is no evidence to indicate that any of the financial assets were impaired. There are no financial assets that have had their terms renegotiated so as to

prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

(ii) Liquidity risk

Liquidity risk arises when the Group is unable to meet its financial obligations as and when they fall due. The Group generally settles financial obligations within thirty (30) days and in the event of a dispute make payments within thirty (30) days from the date of resolution.

The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group's surplus funds are also managed centrally by placing them with reputable financial institutions.

The risk implied from the values shown in the following table, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment and investments in working capital, inventories and trade receivables.

Borrowings were a secured bank facility of \$5.000 million of which \$3.650 million was represented as a Bank Guarantee in favour of the Victorian Government for the EAF dust storage facility at Foostcray, Victoria. The balance of the \$5.000 million facility included a fully drawn amount of \$1.350 million. The total facility of \$5.000 million was repaid in full in August, 2009 following settlement of the sale of the Hellyer assets.


Interest rate exposure and maturity analysis of financial liabilities

Consolidated	<i>Weighted average effective interest rate %</i>	<u>Interest rate exposure</u>				<u>Maturity dates</u>				
		<i>Carrying amount</i>	<i>Fixed interest rate</i>	<i>Variable interest rate</i>	<i>Non- interest bearing</i>	<i>Nominal amount</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3 months - 1 year</i>	<i>1-5 years</i>
2009										
Payables:										
Trade Creditors & Accruals	-	1,086	-	-	1,086	-	577	-	509	-
Other Payables	-	500	-	-	500	-	-	500	-	-
Interest bearing liabilities:										
Borrowings	8.0	42	-	42	-	-	-	42	-	-
	-	1,628	-	1,350	3,742	-	680	542	206	-
2008										
Payables:										
Trade Creditors & Accruals	-	3,462	-	-	3,462	-	3,462	-	-	-
Other Payables	10.8	100	-	-	100	-	-	100	-	-
Interest bearing liabilities:										
Borrowings	10.8	1,350	-	1,350	-	-	-	-	1,350	-
		4,912	-	1,350	3,742	-	3,462	100	1,350	-
Parent										
Parent	<i>Weighted average effective interest rate %</i>	<u>Interest rate exposure</u>				<u>Maturity dates</u>				
		<i>Carrying amount</i>	<i>Fixed interest rate</i>	<i>Variable interest rate</i>	<i>Non- interest bearing</i>	<i>Nominal amount</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3 months - 1 year</i>	<i>1-5 years</i>
2009										
Payables:										
Trade Creditors & Accruals	-	540	-	-	540	-	232	-	308	-
Other payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities:										
Borrowings	8.0	42	15	27	-	-	-	42	-	-
	-	582	15	27	540	-	232	42	308	-
2008										
Payables:										
Trade Creditors & Accruals	-	518	-	-	518	-	518	-	-	-
Other payables	10.8	100	-	-	100	-	-	100	-	-
Interest bearing liabilities:										
Borrowings	10.8	1,350	-	1,350	-	-	-	-	1,350	-
	-	1,968	-	1,350	618	-	518	100	1,350	-

(iii) Market risk
Foreign currency risk

The Group is exposed to foreign currency risk through its receivables and payables relating to the sale of metal in concentrate and purchases of supplies and consumables from overseas that are denominated in foreign currencies, principally the US dollar. Hence, the Group's balance sheet can be affected by movements in the Australian dollar/US dollar exchange rate.

At 30 June 2009, the Group had the following exposure to USD foreign currency:



	Consolidated 2009	2008	Parent 2009	2008
USD	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	28	2	-	-
Receivables	-	132	-	-
Derivative Financial Instruments	-	-	-	-
Financial assets at fair value through the income statement	-	-	-	-
Financial liabilities				
Trade Creditors & Other Payables	19	869	-	-
Interest Bearing Liabilities	-	-	-	-
Net exposure	9	(735)	-	-

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$1,000 higher/lower (2008 – \$74,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than 2008 because of the decreased amount of US dollar denominated receivables and payables. Other components of equity would have been \$2,000 higher/lower (2008 – \$74,000 higher/lower) had the Australian dollar weakened/strengthened by 10% against the US dollar arising from translation of the US dollar denominated financial instruments. Equity is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than 2008 because of the decreased amount of US dollar denominated receivables and payables. The Group's exposure to other foreign exchange movements is not material.

Commodity price risk

The Group is not exposed to future movements in the price of zinc and lead at 30 June 2009 following closure of the Hellyer Zinc Concentrate Project on 8 September 2008.

The Group's normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Board and to rigid internal controls. The Group has not entered into any commodity price hedging contracts during the year.

Commodity prices received by the Group are based on London Metal Exchange (LME) market prices for zinc and lead. As there were no metal in concentrate receivables and payables held at 30

June 2009, had the LME market price for zinc and lead weakened/strengthened by 10% with all other variables held constant, the Group's post-tax profit for the year would have remain unchanged (2008 – \$87,000 higher/ \$550,000 lower as a fall in sales would have meant inventory is recorded at net realisable value rather than at its cost).

Profit is less sensitive to movements in the LME market price for zinc and lead in 2009 than 2008 as there was no metal in concentrate receivables and payables at balance date. Other components of equity would have also remained unchanged (2008 – \$87,000 higher/ \$550,000 lower) had the LME market price for zinc and lead weakened /strengthened by 10%.

Equity is less sensitive to movements in the LME market price for zinc and lead in 2009 than 2008 as metal in concentrate receivables and payables at 30 June 2009 balance date were \$Nil.

(iv) Cash flow and Fair value interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and interest expense from bank balances and interest-bearing loans respectively.

The Group's policy is to obtain the most favourable interest rates available. The Group has not used any derivatives to mitigate its interest rate risk exposure.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2009 if interest rates had moved, as illustrated in the table below, with all other variables held constant, there would have been no affect to post tax profit and equity:



Sensitivity disclosure analysis

	Post Tax Profit Higher/(Lower) 2009		Equity Higher/(Lower) 2009	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1% (100 Basis points)	-	(9)	-	(9)
-.5% (50 Basis points)	-	5	-	5
Parent				
+1% (100 Basis points)	-	(11)	-	(11)
-.5% (50 Basis points)	-	6	-	6

(d) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on

discounted cash flow analysis.

The Consolidated entity considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

(e) Debt/Equity Management

The Group funds its exploration, development and operating activities using both debt and equity. The mix of debt and equity is determined by consideration of regulatory, commercial and risk factors as well as tax efficiencies and the impact on

earnings per share. The Company prepares detailed medium to long term cash forecasts and determines funding requirements accordingly. Equity is ordinary shares, not preference capital.

35 Related party transactions

(a) Parent entities

The parent entity within the Group is Intec Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 36.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 31. There were no outstanding loans with key management personnel.

(d) Transactions with subsidiaries

The following transactions occurred with related parties:

	2009 \$	2008 \$
(i) Royalties		
A subsidiary, Intec Copper Pty Ltd (ICPL) charged royalty fees to another subsidiary, Intec Hellyer Metals Pty Ltd (IHM), for the use of technology developed by ICPL in the construction and operation of the Burnie demonstration plant by IHM.	755,621	1,384,456
(ii) Interest		
Intec Ltd charged interest on its loans to subsidiaries during the year. The interest rate applicable to intercompany loans is the ATO benchmark interest rate.		
Intec Copper Pty Ltd	690,777	532,186
Intec Hellyer Metals Pty Ltd	4,066,485	3,144,686
Intec Metals Recycling Pty Ltd	23,091	-
Intec Zeehan Residues Pty Ltd	48,624	38,276


(e) Loans to subsidiaries

	2009 \$	2008 \$
Beginning of the year	46,971,219	43,423,775
Loans advanced/(received)	177,670	(167,703)
Interest charged	4,828,978	3,715,147
Management fees charged	-	-
End of year	51,977,867	46,971,219
Less provision for doubtful debts	(51,977,867)	(6,969,710)
Carrying value at end of year	-	40,001,509
Movement in provision for doubtful debts		
Beginning of year	6,969,710	6,818,200
Provided during year	45,008,157	151,510
End of year	51,977,867	6,969,710

Provisions for doubtful debts have been raised in relation to outstanding balances, and an expense has been recognised in respect of debts due from subsidiaries, which may be considered doubtful based on the net assets of each subsidiary.

(f) Transactions with associates

	2009 \$	2008 \$
<i>Bass Metals Ltd</i>		
Intec Hellyer Metals Pty Ltd received payments from Bass Metals Ltd relating to the provision of various services at the Hellyer minesite and director's fees and expenses.	13,606	113,134

(g) Transactions with joint venture

	2009 \$	2008 \$
<i>(i) Cash calls</i>		
Cash calls made in respect of operating expenses of the Hellyer Zinc Concentrate Project Joint Venture (HZCPJV) by Intec Hellyer Metals Pty Ltd (IHM).	1,300,000	13,685,533
<i>(ii) Initial cost of plant</i>		
The Hellyer plant and equipment was refurbished prior to the commencement of the HZCPJV and under the terms of the HZCPJV agreement this expenditure is treated by the Group as deferred royalty revenue.	-	6,000,000
<i>(iii) Royalty received – current year</i>		
Royalty received by IHM's joint venture partner by means of a reduction in deferred royalty revenue.		
Not later than one year	-	2,000,000
Later than one year and no later than five years	-	833,000
	-	2,833,000
<i>(iv) Assets purchased and lease rentals</i>		
Under the terms of the HZCPJV agreement the HZCPJV reimburses the Group for the acquisition of fixed assets at the time at which they are acquired thereby allowing the Group to retain full ownership of the fixed assets employed in the HZCPJV. The Group has adopted an accounting policy with respect to these reimbursements which defers the associated revenue and amortises the revenue over the life of the HZCPJV.		
• Assets purchased, including the dredge and transformer, for which reimbursements have been received	-	6,084,085
• Rental receipts treated as deferred revenue	-	4,303,377
• Rental receipts recognised as income during the year	-	1,780,708



Notes to the Financial Statements

	2009 \$	2008 \$
(continued)		
• Lease rental payments receivable:		
- not later than one year	-	519,988
- later than one year and no later than five years	-	1,256,638
- later than five years		
	-	1,776,626

(h) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest

rate on loans during the year was 9.45% (2008 – 8.05%). Outstanding balances are unsecured and are repayable in cash.

36 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(s):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2009	2008
Investments held by Intec Ltd			%	%
Intec Copper Pty Ltd	Australia	Ordinary	100	100
Intec Hellyer Metals Pty Ltd	Australia	Ordinary	100	100
Intec International Projects Pty Ltd	Australia	Ordinary	100	100
Intec Metals Recycling Pty Ltd	Australia	Ordinary	100	-
Investments held by Intec Hellyer Metals Pty Ltd				
Intec Zeehan Residues Pty Ltd (formerly Encore Metals NL)	Australia	Ordinary	100	100

37 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent entity	
		2009 %	2008 %	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Listed</i>							
Bass Metals Ltd	Minerals Exploration	-	23.16	-	4,069	-	-
<i>Unlisted</i>							
Intec Exploration Pty Ltd	Minerals Exploration	-	50.00	-	-	-	-

Each associated company is incorporated in Australia and its reporting date is 30 June.

	Consolidated	
	2009 \$'000	2008 \$'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	4,069	3,202
Acquisition of shares in associate	-	1,708
Share of capital raising costs	-	(63)
Share of increase in reserves	24	24
Share of gains/(losses) after income tax	823	403
Impairment of investment	(2,709)	(1,205)
Sale of Investment	(2,207)	-
Carrying amount at the end of the financial year (shown as investment at cost)	-	4,069


(c) Fair value of listed investments in associates

	Consolidated	
	2009	2008
	\$'000	\$'000
Bass Metals Ltd	-	4,069
Based on share price of \$0.17 (2008) at end of year		

(d) Share of associates' profits/(losses)

Profit/(loss) before income tax	823	403
Income tax expense	-	-
Profit/(loss) after income tax	823	403

(e) Summarised financial information of associates

	Group's share of:			
	Assets	Liabilities	Revenues	Profit/Loss
	\$'000	\$'000	\$'000	\$'000
2009				
Bass Metals Ltd	-	-	-	-
Intec Exploration Pty Ltd	-	-	-	-
2008				
Bass Metals Ltd	6,056	895	2,687	403
Intec Exploration Pty Ltd	5	10	-	-

Each subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

Intec Ltd and its subsidiaries have not entered into any deeds of cross guarantee.

38 Investments in joint ventures
Jointly controlled operation

A subsidiary, Intec Hellyer Metals Pty Ltd, in December 2006 entered into an unincorporated joint venture with Polymetals (Hellyer) Pty Ltd called the Hellyer Zinc Concentrate Project Joint Venture to process tailings through the Hellyer Mill to produce metal in concentrate. The subsidiary had a 50% participating interest in this Joint Venture and was entitled to 50% of its output of metal in concentrate. The Joint Venture ceased on 31 July 2008 and the Group assumed full ownership and operational control of the HZCP from 1 August 2008. Final settlement of the joint venture occurred prior to 30 September 2008, resulting in a net payment by the Group of \$700,000 to Polymetals (Hellyer) Pty Ltd. In addition, Polymetals (Hellyer) Pty Ltd retained certain rights to receive additional payments if certain specific assets are sold for total consideration above an agreed amount. These rights have subsequently expired. The Group's interests in the assets employed in the Joint Venture are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(s), under the following classifications:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	-	499	-	-
Receivables	-	1,630	-	-
Inventories	-	2,476	-	-
Other current assets	-	2,527	-	-
Total current assets	-	7,132	-	-
Liabilities				
Trade creditors	-	2,328	-	-
Provisions	-	160	-	-
Total liabilities	-	2,488	-	-

For capital expenditure commitments relating to the Hellyer Zinc Concentrate Project Joint Venture refer to note 33(c).



39 Events occurring after the balance sheet date

Sale of Hellyer Assets

The Hellyer asset sale was completed in early August 2009. Funds received from the asset sale program were employed to repay in full the Macquarie Bank facility and provide working capital for the Group. As a consequence of the sale of the Hellyer assets and a change in operational focus (see below), the name of Intec Hellyer Metals Pty Ltd was changed to Intec Envirometals Pty Ltd.

Compass Resources Limited

The Group was an unsecured creditor to Compass Resources Limited (Administrators Appointed, Receivers & Managers Appointed) for an amount of \$138,000. The Group received full payment of this amount in August 2009.

Industrial Waste Treatment

The Group has an ongoing contract for the treatment of industrial wastes generated by the Tasmanian-based ACL Group. At 30 June 2009, the Group had outstanding invoices totalling \$133,742 which were paid in full in July and August 2009. On 25 August 2009, Administrators and Receivers & Managers were appointed to the ACL Group. At this date, the Group had outstanding invoices totalling \$276,000. The Directors reasonably expect that

\$36,000 of this amount will be paid in full. However, the Directors believe that the Group is unlikely to receive a material payment in relation to the remaining amount of \$240,000 based on a review of the report of the Administrators dated 21 September 2009.

On 23 August 2009, Intec announced that the Victorian HazWaste Fund had approved in principle a \$780,000 grant for development work to treat galvanising industry spent pickle liquor. A significant proportion of this grant is expected to cover Intec's continuing operating costs for this development work.

On 22 September 2009, the Group provided Ausmelt Limited with a one-month termination notice in relation to the exclusivity arrangement to investigate the possible acquisition of Ausmelt's Whyalla facility.

No other matters or circumstances have arisen since 30 June 2009 that have significantly affected or may significantly affect the Group's operations in future financial years, or the results of those operations in future financial years, or the Group's state of affairs in future financial years.

40 Loss per share

(a) Basic loss per share

(Loss) per share from continuing operations attributable to the ordinary equity holders of the company

(Loss) Earnings per share from discontinued operations

Total (Loss) per share

attributable to the ordinary equity holders of the company

(b) Diluted loss per share

Diluted (Loss) per share from continuing operations

attributable to the ordinary equity holders of the company

Diluted (Loss) Earnings per share from discontinued operations

Total Diluted (Loss) per share

attributable to the ordinary equity holders of the company

(c) Reconciliations of loss used in calculating earnings per share

Basic loss per share

Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share

from continuing operations

from discontinued operations

Diluted loss per share

Diluted Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share

from continuing operations

from discontinued operations

	Consolidated 2009 Cents	2008 Cents
(Loss) per share from continuing operations attributable to the ordinary equity holders of the company	(1.82)	(2.34)
(Loss) Earnings per share from discontinued operations	(1.24)	1.83
Total (Loss) per share attributable to the ordinary equity holders of the company	(3.06)	(0.51)
Diluted (Loss) per share from continuing operations attributable to the ordinary equity holders of the company	(1.82)	(2.34)
Diluted (Loss) Earnings per share from discontinued operations	(1.24)	1.83
Total Diluted (Loss) per share attributable to the ordinary equity holders of the company	(3.06)	(0.51)
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share		
from continuing operations	(12,320)	(12,881)
from discontinued operations	(8,365)	10,055
	(20,685)	(2,826)
Diluted Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share		
from continuing operations	(12,320)	(12,881)
from discontinued operations	(8,365)	10,055
	(20,685)	(2,826)



(d) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

Consolidated 2009 Number	2008 Number
676,414,778	549,703,762

(e) Information concerning the classification of securities

Options

Options granted to employees under the Intec Option Plan and to other entities have not been included in the determination of diluted loss per

share. No options have been included in the determination of basic loss per share. Details relating to the options are set out in note 28.

41 Share based payments

(a) Employee Option Plan

The establishment of the Intec Option Plan was approved by shareholders at the 2001 Annual General Meeting. All Directors, employees and consultants are eligible to participate in the Intec Option Plan.

carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of the options is the current market price on the date the options are granted as determined by the Board.

Options are granted under the Intec Option Plan for no consideration. Options are granted for a five year period and vest immediately unless otherwise stated. Options granted under the Intec Option Plan

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price¹	Value per option at grant date	Date exercisable
26 November 2003	26 November 2008	\$0.0913	\$0.0247	16 November 2003
1999 – 2000	30 June 2009	\$0.4876	-	1 January 2001
5 April 2005	24 February 2010	\$0.0603	\$0.0363	5 April 2005
16 November 2005	24 February 2010	\$0.0603	\$0.0283	26 November 2005
25 September 2006	30 August 2011	\$0.1013	\$0.0670	25 September 2006
15 November 2006	30 August 2011	\$0.1013	\$0.1299	15 November 2006
31 January 2008	25 September 2012	\$0.1413	\$0.054	31 January 2008
14 November 2007	25 September 2012	\$0.1413	\$0.071	14 November 2007

¹ Exercise prices have been adjusted from original exercise prices at the grant date as a consequence of the Company undertaking entitlement issues to all shareholders since the grant date of options as provided for in the terms and conditions of the Intec Option Plan.

No options were forfeited during the periods covered by the above tables.

The weighted average share price at the date of options exercised during the year ended 30 June 2009 was \$Nil (2008 – \$Nil) as no options were exercised.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.78 years (2008 – 1.75 years).

The assessed fair value at grant date of options granted under the Intec Option Plan is allocated

equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using option valuation models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 and 30 June 2008 included:

	2009	2009
(a) options are granted for no consideration	-	-
(b) exercise price	-	-
(c) grant date	-	-
(d) expiry date	-	-
(e) share price at grant date	-	-
(f) expected price volatility of the company's shares	-	-
(g) expected dividend yield	-	-
(h) risk-free interest rate	-	-



		2008	2008
(a)	options are granted for no consideration		
(b)	exercise price	\$0.1500	\$0.1500
(c)	grant date	14 November 2007	31 January, 2008
(d)	expiry date	25 September 2012	25 September 2012
(e)	share price at grant date	\$0.12	\$0.12
(f)	expected price volatility of the company's shares	53.0%	53.0%
(g)	expected dividend yield	0.0%	0.0%
(h)	risk-free interest rate	6.55%	6.55%

Shares provided on exercise of remuneration options

No ordinary shares (2008- Nil) in the Company were provided as a result of the exercise of remuneration options to Directors.

(b) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period were as follows:

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Options issued under Intec Option Plan ¹	-	402	-	402
	-	402	-	402

¹ Recognised as employee benefit expense in the income statement.

42 Non cash investing and financing activities

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
(a) Non-cash financing and investing activities				
Assets acquired on entering into Hellyer Zinc Concentrate Project Joint Venture	-	-	-	-
Recognition of provision for rehabilitation	-	-	-	-

(b) Financing arrangements

The Group has a working capital finance facility with Macquarie Bank Limited

	Consolidated 2009 \$'000	2008 \$'000	Parent entity 2009 \$'000	2008 \$'000
Secured				
Working capital facility	3,650	5,000	27	5,000
Total amounts advanced under working capital facility as at 30 June 2009	27	1,350	27	1,350
Total current borrowings	27	1,350	27	1,350

The working capital finance facility is repayable at call and bears interest at 8.0% per annum (2008 – 10.8%). The working capital finance facility was repaid in full and cancelled in August 2009 following settlement of the sale of the Hellyer assets to Bass Metals Ltd.

Security

Macquarie Bank Limited holds the following as security for the working capital facility:

- A fixed and floating charge over all of the present and future undertaking, assets and rights of Intec Hellyer Metals Pty Ltd, including all real and personal property, choses in action, goodwill, uncalled and called but unpaid capital; and

- A mortgage over all securities in Bass Metals Ltd held by Intec Hellyer Metals Pty Ltd.

(i) Interest rate risk exposures

The Group's exposure to interest rate risk arises predominantly from liabilities bearing variable interest rates. Upon cancellation of the working capital finance facility in August 2009 all security was released by Macquarie Bank Limited.

Notes to the Financial Statements



(ii) Fair values

The fair values of borrowings at balance date equal the carrying values.

The carrying amounts of assets pledged as security for current borrowings:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Fixed and Floating charge				
Cash and cash equivalents	1,990	465	-	-
Trade and other receivables	326	862	-	-
Inventories	23	755	-	-
Non current assets classified as held for sale	3,715	-	-	-
Total current assets pledged as security	6,054	2,082	-	-
Non-current				
Fixed and Floating charge				
Equity investment in Bass Metals Ltd	-	4,069	-	-
Plant and equipment	4,199	33,442	-	-
Total non-current assets pledged as security	4,199	37,511	-	-
Total assets pledged as security	10,253	39,593	-	-

43 Reconciliation of (loss)/profit after income tax to net cash flows from operating activities

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Operating (loss) after income tax	(20,685)	(2,826)	(43,268)	(165)
Non cash items and non operating cash flows included in income statement				
Bad and doubtful debts expense	228	-	-	-
Depreciation and amortisation	833	775	37	45
Depreciation as part of loss from discontinued operations	977	2,312	-	-
Estimate cost to sell non current assets held for sale	295	-	-	-
Diminution in value of environmental bonds	4,404	-	-	-
Exploration expenditure written off	146	2,698	-	-
Hellyer assets impairment expense	4,378	-	-	-
Inventory impairment expense	-	114	-	-
Diminution in value of investments in associates	2,709	1,205	-	-
Diminution in loans to subsidiaries	-	-	45,008	152
Expense recovery from subsidiaries	-	-	573	(627)
Interest charged to subsidiaries	-	-	(4,829)	(3,715)
Share based payment expenses	-	402	-	402
Net (profit)/loss on sale of non current assets	34	(3)	(7)	(3)
Net profit on sale of investments	(63)	-	-	-
Equity share of (profits)/losses of associated entities	(823)	(403)	-	-
	(7,567)	4,274	(2,486)	(3,911)



	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Changes in assets and liabilities				
Decrease/(increase) in receivables	2,081	3,913	76	4
Decrease/(increase) in inventories	3,207	204	-	-
Decrease/(increase) in derivative asset	-	301	-	-
Increase/(decrease) in exploration expenditure	-	-	-	(7)
Increase/(decrease) in trade creditors	(2,937)	1,510	(280)	493
Decrease/(increase) in provisions	3,648	(251)	(84)	64
Increase/(decrease) in deferred revenue	(4,610)	(6,853)	-	-
Net cash (outflow) from operating activities	(6,178)	3,098	(2,774)	(3,357)

44 Auditor's remuneration

	Consolidated	
	2009	2008
	\$	\$
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm: Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	112,000	186,500
Total remuneration for audit services	112,000	186,500
2. Other assurance services		
PricewaterhouseCoopers Australian firm:	-	-
Total remuneration for other assurance services	-	-
Total remuneration for assurance services	112,000	186,500
Taxation services		
PricewaterhouseCoopers Australian firm: Tax compliance services, including review of company income tax returns	19,000	13,500
Total remuneration for taxation services	19,000	13,500

Directors' Declaration

In the directors' opinion:

- the financial statements and notes set out on pages 10 to 64 are in accordance with the *Corporations Act 2001*, including:
 - complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - giving a true and fair view of the company's and Group's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Philip R Wood
Director
Sydney
30 September 2009

Independent auditor's report to the members of Intec Limited

Report on the financial report

We have audited the accompanying financial report of Intec Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Intec Limited and the Intec Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**Independent auditor's report to the members of Intec Limited
(continued)**

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Bases for Qualified Auditor's Opinion

The Burnie Research Facility has a carrying value of \$3,835,670 (refer Note 1: Basis of preparation – Burnie Research Facility). The Company is seeking new customers for the use of the Burnie Research Facility. We have been unable to obtain sufficient evidence regarding the recoverable value of this asset as at 30 June 2009.

The Company has recognised an environmental provision totalling \$4,403,500 relating to Electric Arc Furnace Dust (EAF Dust) stockpiles (refer Note 1: Basis of preparation – EAFD Stockpiles). The Company is investigating a number of options in respect of the disposal of the EAF Dust, and this process has yet to be concluded. We have been unable to obtain sufficient evidence relating to the ultimate liability that may arise as a result of these stockpiles.

Qualified Auditor's Opinion

In our opinion, except for the effect on financial report of the matters referred to in the preceding paragraphs:

- (a) the financial report of Intec Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1

Significant uncertainty regarding continuation as a going concern

Without further qualification to our opinion, we draw attention to Note 1 in the financial report which comments on the closure of the Hellyer Zinc Concentrate Project and the requirement for further additional funding capital and/or revenue in the short term to continue meeting its obligations as and when they fall due. These conditions indicate that there is significant uncertainty about whether Intec Limited and its controlled entities will continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Independent auditor's report to the members of Intec Limited
(continued)**

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Intec Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Intec Limited (the company) for the year ended 30 June 2009 included on Intec Limited's web site. The company's directors are responsible for the integrity of the Intec Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
30 September 2009



Schedule of Tenements

The Group held at 30 June 2009 the following tenements:

Tenement number	Tenement name	Expiry date	Area Km²	Security deposits held \$'000	Annual expenditure commitments \$'000
<i>Tenements held by Intec Zeehan Residues Pty Ltd</i>					
Retention Licence RL 3/1996	Zeehan	28 March 2010	1.00	5	-





Shareholder Information

The shareholder information set out below was applicable as at 29 September 2009.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Class of equity security	
			Ordinary shares	
			Number of shareholders	Number of shares
1	-	1,000	98	14,280
1,001	-	5,000	222	854,800
5,001	-	10,000	366	3,096,733
10,001	-	100,000	1,743	81,265,612
100,001	and over		1,079	736,022,299
			3,508	821,253,724

At the prevailing market price of shares (\$0.016) there were 1,419 shareholders with less than a marketable parcel of ordinary shares worth \$500 (being 31,250 shares).

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
ORIAN HOLDING CORP	41,174,840	5.014
ANZ NOMINEES LIMITED <CASH INCOME A/C>	39,843,760	4.852
DR LEON EUGENE PRETORIUS	12,505,000	1.523
OREGON NOMINEES PTY LTD <OREGON NOMINEES SUPER A/C>	9,985,000	1.216
ALLIANCES RESOURCES LIMITED	9,542,640	1.162
AD CHRISTIE PTY LTD <AD CHRISTIE S/F A/C>	9,000,000	1.096
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,664,580	0.812
MR WILLIAM E CONWAY	6,055,714	0.737
MR MICHAEL JOHN MCKENZIE	6,045,455	0.736
KURRABA INVESTMENTS PTY LTD	6,000,000	0.731
BRYAN WELCH PTY LTD <BRYAN WELCH S/F A/C>	6,000,000	0.731
PLYMOUTH HOLDINGS INC	5,771,808	0.703
REACH OUT PTY LTD	5,572,460	0.679
BATROSA CONCRETE PRODUCTS PTY LTD <SUPERANNUATION FUND>	5,500,000	0.670
MACQUARIE BANK LIMITED	5,116,207	0.623
MR STEPHEN SCANLAN	5,050,000	0.615
SMACER PTY LTD	4,728,561	0.576
NEWVEST PTY LIMITED <THE NEWING INVESTMENT A/C>	4,600,000	0.560
MR WILLIAM DILLON BEST	4,100,000	0.499
BURROWS PTY LTD	4,000,000	0.487
Total of Top 20 share holdings	197,255,725	24.019
Other shareholders	623,997,999	75.981
Total ordinary shares	821,253,724	100.000%

C. Substantial holders

Substantial holders in the company are set out below:

Substantial Shareholder (extracts from Substantial Shareholder Register)	Number held	Shareholding Percentage
Ordinary shares		
Orion Holding Corp	41,174,840	5.014



D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
No voting rights.

E. Summary of options issued

	No of options	No of Holders	Options held	% Options Issued
Option holders with more than 20% of class				
Steven Joseph Koroknay			400,000	31.37%
Denis Michael Hanley			400,000	31.37%
Options expiring 31 December 2009 with an exercise price of \$0.0800	111,909,975	1,140		
Options expiring 31 December 2009 with an exercise price of \$0.0800	20,000,000	1		
Option holders with more than 20% of class				
Veritas Securities Ltd			20,000,000	100%
Options expiring 24 February 2010 with an exercise price of \$0.0603	5,869,014	15		
Option holders with more than 20% of class			Nil	
Options expiring 30 August 2011 with an exercise price of \$0.1013	7,210,000	22		
Option holders with more than 20% of class			Nil	
Options expiring 27 September 2012 with an exercise price of \$0.1413	4,700,000	23		
Option holders with more than 20% of class			Nil	
Options expiring 27 September 2012 with an exercise price of \$0.1413 with a Trigger Price Threshold of \$0.25	6,350,000	7		
Option holders with more than 20% of class				
Philip Ronald Wood			2,500,000	39.37%
These options are unquoted equity securities				



Corporate Governance Statement

The Board of Directors of the Company (the Board) is responsible for the corporate governance of the Company and its controlled entities.

Corporate governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community.

The Board periodically reviews its policies and procedures against the 'Principles of Good Corporate Governance and Best Practice Recommendations' published by the ASX Corporate Governance Council.

Unless explicitly stated otherwise the Directors believe that the Company complies with the major principles and the underlying guidelines.

The Board has approved and adopted the following policies and charters with which directors and management are required to comply, and which, inter alia, contain the information recommended by the ASX Best Practice Recommendations Guidelines to be made available to shareholders/investors. These policies and Charters can be read on the Company's website www.intec.com.au under 'About Us – Corporate Governance'.

ASX BEST PRACTICE RECOMMENDATIONS

The table below contains each of the ASX Best Practice Principles and Guidelines. Where the Company has complied with the principles and guidelines during the reporting period this is indicated with a tick ☒. Where the Company has

failed to comply with a particular recommendation this is indicated with a cross ☐ and the Company's reasons are set out below the corresponding guideline within the table.

Note		Complied
Principle 1	To lay solid foundations for management and oversight	
Guideline 1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	☒
Principle 2	Structure the Board to add value	
Guideline 2.1	A majority of the Board should be independent directors.	☐
Guideline 2.2	The Chairman should be an independent director.	☒
Guideline 2.3	The roles of Chairman and Chief Executive Officer/Managing Director should not be exercised by the same individual.	☒
Guideline 2.4	The Board should establish a nomination committee.	☒
Guideline 2.5	Provide the information set out in Guide to reporting in Principle 2.	☒
	During the year an independent director resigned and has not been replaced at the date of this report. Intec is mindful of this departure and aims to remedy the situation in due course.	
Principle 3	Promote ethical and responsible decision making	
Guideline 3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:	☒
	3.1.1 The practices necessary to maintain confidence in the Company's integrity; and	☒
	3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	☒
Guideline 3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees. Refer to policy set out below.	☒
Guideline 3.3	Provide the information set out in Guide to reporting on Principle 3.	☒



Principle 4	Safeguard integrity in financial reporting	
Guideline 4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial report present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	☑
Guideline 4.2	The Board should establish an Audit Committee.	☑
Guideline 4.3	Structure the Audit Committee so that it consists of: - only non-executive Directors; - a majority of independent directors; - an independent Chairman who is not the Chairman of the Board; and - at least 3 members	☑ ☑ ☑ ☑
Guideline 4.4	The Audit Committee should have a formal Charter.	☑
Guideline 4.5	Provide the information set out in Guide to reporting on Principle 4.	☑
Principle 5	Make timely and balanced disclosure	
Guideline 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.	☑
Guideline 5.2	Provide the information set out in Guide to reporting on Principle 5.	☑
Principle 6	Respect the rights of shareholders	
Guideline 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	☑
Guideline 6.2	Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report.	☑
Principle 7	Recognise and manage risk	
Guideline 7.1	The Board or appropriate board committee should establish policies on risk oversight and management.	☑
Guideline 7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: 7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and 7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.	☑ ☑
Guideline 7.3	Provide the information indicated in Guide to reporting on Principle 7.	☑
Principle 8	Encourage enhanced performance	
Guideline 8.1	Disclose the process for performance evaluation of the Board, its Committees and individual directors, and key executives.	☑



Principle 9	Remunerate fairly and responsibly	
Guideline 9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand:	☑
	- the cost and benefits of those policies; and - the link between remuneration paid to Directors and key executives and corporate performance.	☑ ☑
Guideline 9.2	The Board should establish a remuneration committee.	☑
Guideline 9.3	Clearly distinguish the structure of Non-executive Directors remuneration from that of executives.	☑
Guideline 9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	☑
Guideline 9.5	Provide the information set out in Guide to reporting on Principle 9.	☑
Principle 10	Recognise the legitimate interests of shareholders	
Guideline 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	☑

Securities Trading Policy

The Company's Securities Trading Policy is set out on the website www.intec.com.au as below.

Directors, employees and key consultants may only deal in the Company's shares during 'window periods' nominated for this purpose from time to time by the Managing Director and Chief Executive Officer, or failing him the Chairman. However, Directors, employees and key consultants are prohibited from buying or selling Intec shares at any time if they are aware of price sensitive information that has not been made public.

Corporate Directory

Directors

Chairman

Trevor A Jones

Managing Director and Chief Executive Officer

Philip R Wood

Technical Director

A John Moyes

Finance Director and Chief Financial Officer

Kieran G Rodgers

Non-executive Director

James R G Bell

Company Secretaries

Robert J Waring

David W Clark

Senior Management

Chief Operating Officer

Brian A Banister

Corporate Development Manager

Dave L Sammut

Senior Research Metallurgist and Laboratory Manager

Andrew R Tong

Notice of Annual General Meeting

The Annual General Meeting of Intec Ltd will be held in 'The Partners Room', at the offices of Allens Arthur Robinson Level 28, Deutsche Bank Place, Corner of Hunter and Phillip Streets Sydney NSW 2000 Australia on Thursday 19 November 2009 at 5.30 p.m.

Registered Office and Corporate Headquarters

Level 3, 2 Elizabeth Plaza

PO Box 1507

North Sydney NSW 2059 Australia

Telephone: (+61 2) 9925 8170

Facsimile: (+61 2) 9925 8110

Email: mail@intec.com.au

Website: www.intec.com.au

Intec Envirometals Pty Ltd

PO Box 666

10-12 River Road

Burnie TAS 7320 Australia

Telephone: (+61 3) 6431 9867

Facsimile: (+61 3) 6431 3629

Intec Envirometals Research Facility

20 River Road

Burnie TAS 7320 Australia

Telephone: (+61 3) 6431 1835

Facsimile: (+61 3) 6431 3594

Melbourne EAFD Storage Site

433-451 Somerville Road

West Footscray VIC 3012 Australia

Chinese Representative Office

Mr Joe Lam

Suite 1310, The Hub

1068 East XingGang Road

Guangzhou China

Telephone: (+86 (0)208) 923 6813

Facsimile: (+86 (0)208) 988 3738

North American Representative Office

Mr Phil Evans

32 Charles Street

Georgetown Ontario L7G 2Z3 Canada

Telephone and Facsimile: (+1 905) 873 4985

European Representative Office

Mr Kenneth Severs

'Appletree'

Frith Road Aldington Frith

Kent TN25 7HJ United Kingdom

Telephone and Facsimile: (+44 1233) 721 328

Share Registry

Registries Limited

Level 7, 207 Kent Street

Sydney NSW 2000 Australia

PO Box R67 Royal Exchange

Sydney NSW 1223 Australia

Telephone: (+61 2) 9290 9600

Facsimile: (+61 2) 9279 0664

Email: registries@registriesltd.com.au

Website: www.registriesltd.com.au

Auditors

PricewaterhouseCoopers

Darling Park Tower 2

201 Sussex Street

Sydney NSW 1171 Australia

Legal Advisers

Allens Arthur Robinson

Level 28, Deutsche Bank Place

Corner of Hunter and Phillip Streets

Sydney NSW 2000 Australia

Patent Attorneys

Griffith Hack

100 Miller Street

North Sydney NSW 2060 Australia

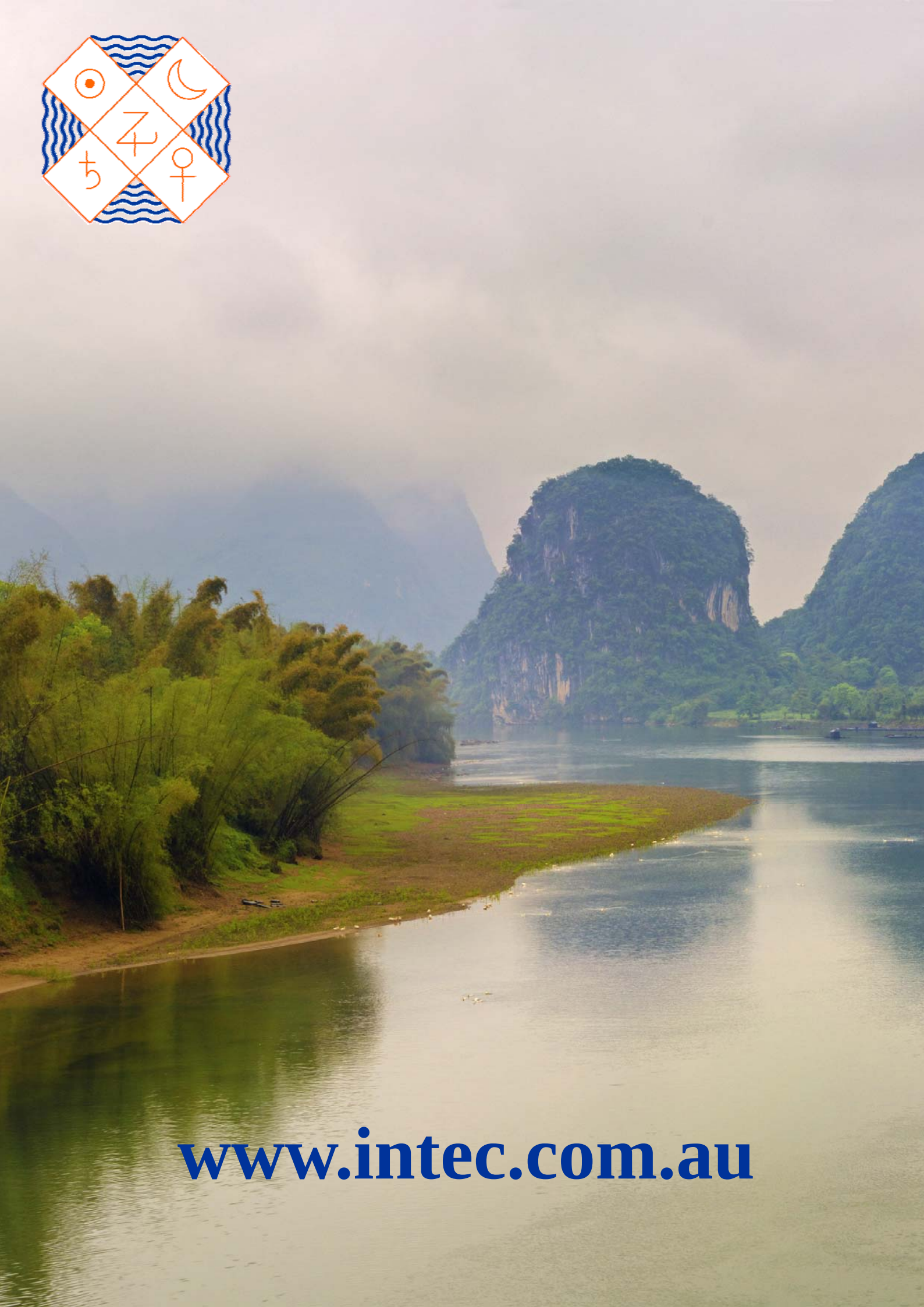
Stock Exchange Listings

Intec Ltd shares are listed on

the Australian Stock Exchange (Code: INL),

the Deutsche Boerse (Code:INF)

and the OTCQX/Pink Sheets LLC (Code: ICLJY)



www.intec.com.au