

**ENCORE METALS NL**  
**ANNUAL REPORT ON MINERAL EXPLORATION**  
**YEAR ENDED 30 JUNE 2005**  
**RETENTION LICENCE RL3/1996**

- The Encore owned 450,000 tonne zinc, silver and lead bearing Zeehan slag dumps contain in excess of A\$100 million of recoverable metals.
- The Company has pursued several alternative options to extract value from the Zeehan materials.

**Summary of Activities Completed**

- The key development with the project was the negotiation of a conditional sale agreement with Intec Limited, owner of the Hellyer mine and tailings resource.
- Intec's intention is to blend crushed slags with a Hellyer tailing dam concentrate for treatment using a proprietary chloride based hydrometallurgical recovery technology.
- Intec undertook extensive and several phases of bench scale test work on slag samples from site as part of its due diligence exercise.
- These results were input into its scoping and pre-feasibility studies with the slags providing an economic benefit to the overall project.
- Zinifex, the original owners of the slags and pursuant to a Licence Agreement between it and Encore objected to the transaction between Encore and Apex. An extended period of negotiation ensued. This culminated in Zinifex agreeing to the transaction proceeding, subject to it maintaining access and processing rights to the slags if they were not previously processed by Intec. Encore and Intec have been waiting for some months on receipt of a formal agreement from Zinifex reflecting the foregoing.

**Proposed Activities**

- It is proposed to conclude the sale of the slag resource to Intec Limited, subject to the execution of a formal agreement with Zinifex.
- Intec continues to undertake test work and economic modelling of the slags and is preparing to take a bulk sample for input into its recently commissioned pilot plant.