

Intrepid Mines Limited: Chairman's Letter

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BRISBANE, Nov 5, 2015 - [Intrepid Mines Ltd.](#) (ASX:IAU) ("Intrepid" or the "Company") advises that it has despatched a letter from the Chairman in relation to the Extraordinary General Meeting to be held on 19 November 2015.

The Chairman's letter is below and is available on the Company's website (www.intrepidmines.com.au), and may be reviewed on the ASX website (www.asx.com.au).

4 November 2015

Key points

- Business strategy summarised in the EGM Notice of Meeting remains unchanged
- On market share buy-back to commence following EGM
- Further cash return in Q1 2016
- Discussions underway to seek strategic partner for Kitumba

Dear fellow Shareholder

As incoming Chairman, I would like to take this opportunity to reinforce your current Board's position in relation to business strategy and to respond to a number of Shareholder questions that have arisen in relation to the upcoming Extraordinary General Meeting ("EGM") to be held on 19 November 2015.

Business strategy

Your Directors, with the exception of Mr Baumfield, who is the nominee of the shareholder requisitioning the EGM (referred to as the "Board"), remain committed to the strategy summarised in the Notice of Extraordinary General Meeting ("NoM") lodged with ASX on 9 October. Our focus is firmly on those initiatives that are supported by a clear case for potential Shareholder value creation. These include:

- completing the current Mumbwa exploration drilling program by the end of this year;
- staging the Kitumba feasibility study program to ensure that our Zambian mining license obligations are met;
- progressing work on initiatives to support a more robust Kitumba investment case to attract potential strategic investors or buyers; and
- evaluating potentially transformative business development opportunities, enabled by the distressed market for base metal assets.

The Company has been in dialogue with potential strategic partners who may be interested in a transaction involving Kitumba. Discussions are at an early stage, but have included an interested party reviewing detailed data and visiting the site.

Capital management

Whilst we continue to progress priority activities in line with our stated strategy for value enhancement, we reiterate that it is our intention, in the absence of sufficient exploration success and / or an alternative compelling investment opportunity being identified before the end of the first quarter of 2016, to return excess cash to Shareholders.

(a) Commencing the Share Buy-Back

During the course of the year, the Company has sought out business development opportunities, arising largely within the current environment of distressed base metal asset values. The clear focus has been on opportunities with the potential to transform the Company into a producer with an income stream in the near term.

The Board and management have evaluated several opportunities, including transactions which would have required investment of the Company's cash resources. However, this process has not led to the identification of a transaction that is sufficiently attractive to be put to Shareholders for consideration, with the most recent transaction discussions having been terminated in the latter part of October.

The Board has therefore decided to commence the on-market buy-back of up to 20% of the Company's outstanding shares, after the EGM. Whilst the buy-back will be implemented with the clear objective of securing greater value per share, it will also provide an exit opportunity for those Shareholders who do not see value in our strategic commitment to the Zambian assets. The volume of shares bought back, and the timing of trades, will depend on market conditions that prevail immediately after the EGM and subsequently through the buy-back process. We estimate that the buy-back will require up to A\$11 million. Concurrently with the buy-back, we intend to implement a sale of unmarketable parcels of shares, in order to rationalise the Company's share register and reduce future administration costs.

(b) Further Return of Cash

Looking beyond the on-market buy-back, the Board anticipates that by the end of Q1 2016, it will be in a position to return more cash to Shareholders unless there is a significant enhancement in the investment case for the Kitumba project as a result of sustained improvements in the outlook for copper, and /or significant exploration success with the current drilling campaign, or the emergence of a potentially transformative business development transaction. Absent these upside developments, the Company would have 3 strategic options, viz.:

1. Maintain capacity to preserve the value potential inherent in the Zambian assets and return to Shareholders cash in excess of what will be required for work on the asset;
2. Place the Company in 'care and maintenance' mode whilst waiting for the copper market to strengthen, returning all cash other than that required to meet minimal costs associated with maintaining the corporate entity; or
3. Liquidate the Company and return the residual cash available after all liabilities and liquidation costs have been taken into account.

Your Board does not propose to liquidate the Company. Doing so would necessarily mean handing back the extensive and still under-explored Mumbwa acreage and the Kitumba project ("Kitumba"), sacrificing the value inherent in these assets, and forgoing the opportunity to sell part or all of Kitumba. Furthermore, the liquidation process would be lengthy and incur significant additional legal and administrative costs for the Company, thus both reducing the amount of cash available to return to Shareholders and extending the timeframe within which it could be returned.

Furthermore, the Board does not propose to return a cash amount that leaves only a small treasury and effectively places the Company into 'care and maintenance' while awaiting a strengthening of the copper market. This strategy would be inconsistent with the Zambian government's expectations in relation to the mining licence, thereby placing the Company's retention of the license at risk and potentially jeopardising our ability to market Kitumba to a strategic partner or buyer effectively.

(It is important to note that even if liquidation of the Company were to be commenced in Q1 2016, or cash reduced to the minimum required for "care and maintenance", the cash that could be returned to Shareholders is estimated to be in the order of A\$0.135 and A\$0.126 per share respectively. These numbers are calculated based on the forecast 31 December 2015 cash balance less allowances for liabilities and closure, or for minimal spend "care and maintenance" costs.)

As set out above, the Board proposes to pursue a strategy based on preserving the value potential inherent in the Zambian assets and returning to Shareholders cash in excess of what will be required to run this business agenda. In deciding exactly how much cash can be returned while preserving the upside potential

from Kitumba and Mumbwa, the Board will consider the following factors:

- level of exploration success in 2015 and the case for further drilling in 2016;
- the outcome of metallurgical testing and other project improvement initiatives already initiated;
- the scope of work necessary to demonstrate to the Zambian government satisfactory progress with respect to the mining licence; and
- the scope of further study work needed, if any, to maximise demonstrable value when engaging potential strategic partners or buyers.

The Board further intends to review the organisational and management structure of the Company in light of its stated strategy, and overhead costs will be reduced to the minimum level consistent with the efficient and effective implementation of this strategy.

A return of cash beyond the initial buy-back - whether via a capital return or an equal access buy-back, will require Shareholder approval.

Cost management

As a result of the deteriorating outlook for copper prices on the viability of copper projects, the Board instituted regular critical reviews of post-merger plans and budgets, resulting in a considerable reduction in projected expenditures through the course of 2015. This involved an enhanced focus on cash preservation and recognition that cash in excess of requirements for delivery of the Company's strategy should be returned to Shareholders. "One-off" costs were incurred in organisational rationalisation, to create a "fit for purpose" team and structure post-merger, and we now continue our focus on cost management.

The recently released Quarterly Cashflow Report for the September quarter reflects substantial reductions in costs and the successful implementation of cash-preservation initiatives. Administration and corporate costs have been substantially reduced since the merger, the US\$0.797 million costs for the last quarter being in line with industry benchmarks. The CEO has nevertheless been tasked with achieving further overhead cost reductions and increased efficiency in expenditures across all aspects of our business. Among other initiatives, the Board has adopted a Treasury Policy that does not allow for speculation and hedging beyond ensuring appropriate levels of A\$ and US\$ cover for planned forward expenditures.

We have implemented the Board renewal process announced earlier this year, as a result of which we have reduced the number of independent non-executive directors to 3.

Conclusion

In closing, I wish to note that we recognise that many Shareholders have suffered considerable losses in this weak and volatile market. Our focus is therefore on value-enhancing activities which will preserve cash and support the share price. We also understand that Shareholders have differing priorities and risk appetite. While some major Shareholders have indicated a strong preference for continued drilling and project development, others see limited or no value in that course. The on-market share buy-back that we will commence immediately after the EGM provides a readily realisable exit opportunity for Shareholders who subscribe to the latter view.

The "bottom line" is that any significant positive re-rating of the Company can only be achieved through development of the assets, exploration success through additional drilling or commitment to a transformational transaction. No more than approximately A\$0.135 or A\$0.126 per share could be delivered in Q1 2016 by returning all available cash to Shareholders and then liquidating the Company or embarking on a "care and maintenance" program while waiting for the copper market to recover.

Failing to undertake any meaningful work in Zambia involves considerable risk and lost opportunity for re-rating following from exploration success or a successful asset transaction.

Securing a positive future for the assets and realising increased value per share requires a carefully thought out and executed strategy. Your current independent directors and Managing Director are best placed to oversee and implement this strategy, given their extensive experience in operating in Zambia, hard-earned

credibility with the Government of that country and deep understanding of the processes for value delivery in the metals industries.

This is a difficult, uncertain and unsettling period for Shareholders and staff. We look forward to resolving the control issues and moving the Company forward for the benefit of all stakeholders.

Yours faithfully

Mike Oppenheimer, Chairman
ABN: 11 060 156 452

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