

Dear Fellow Shareholder,

## QUANTUM REJECTS INTREPID BOARD'S INCOMPLETE AND FLAWED CAPITAL RETURN PROPOSAL

Quantum Pacific and Fides Capital Partners (collectively, Quantum or We) are together greater than 5% shareholders in Intrepid Mines Limited (the Company). We reject the incomplete and flawed capital return proposal by the Board of Directors (Board), as announced to the Company shareholders (Shareholders) on the 28 April 2014 Notice of Meeting (NOM). We also demand a halt to all new acquisition activity, as the Board should not be searching for a new opportunity to spend Shareholders' capital and preserve the Company's existence. With the sale of the Tujuh Bukit project (TB Project) in Indonesia, the existing Board and Company has outlived its original purpose and all available Company capital should be returned to Shareholders without further delay.

On 13 March 2014 Quantum made **two requisitions** (Quantum Requisitions) to the Board; i) **under the existing Board** (i.e. no change in the current Board), to let Shareholders vote on the immediate return of all available Company funds to Shareholders either by way of an equal reduction of capital (Return of Capital) **OR** failing the required shareholder approval by 75% of votes cast, undertake an equal access off-market share buy-back (Buy Back) and ii) the replacement of most of the existing Intrepid Board with three nominees Directors with the commitment to have ALL capital returned to all shareholders as promptly as possible. **Our intention was to empower the Board to execute the capital return in a fair and transparent manner.** In the event this did not occur, we proposed that Shareholders vote on a new Board with the sole purpose and commitment to return all capital as soon as possible.

The Board has since decided that the Board replacement vote shall take place at a General Meeting on 13 May 2014 (EGM) and has delayed the capital return proposal to the Company's AGM on 30 May 2014. However, in the NOM, the Board has proposed an **incomplete and flawed capital return resolution** as i) the amount of approx. A\$0.28 / share is significantly below the cash amount shown in previous company financial statements and in any prior disclosure to Shareholders before the Quantum Requisitions, and ii) the Board is not giving Shareholders the option to vote on a share Buy Back as we have proposed.

- i) The Board has claimed that only US\$0.258 or approximately A\$0.28 / share is available to return to shareholders as this represents the "net excess capital". Most of the remaining US\$25mm that the Board wishes to hold onto has been communicated to Shareholders as "contingent liabilities", yet there has never been any previous disclosure of these new contingent liabilities in any prior financial statements of the Company<sup>1</sup>. Shareholders should question the validity of these additional contingent liabilities as no such disclosure has been made previously.

<sup>1</sup> Disclosed US\$1.172 million in restricted cash related to security deposit on various securities held by the controlling entities in Papua New Guinea under Note 9 Cash and cash equivalents as of 31 March 2014. Total liabilities of US\$2.049 million after reversal of contingent liability related to IndoAust Mining litigation provisions as of 31 March 2014 as noted in NOM.



- ii) Quantum proposed that Shareholders be given the opportunity to vote on **BOTH** a Return of Capital AND a share Buy Back. The key reason for this is that due to a Company-specific rule in their constitution, a Return of Capital requires approval by 75% of votes cast (although the Corporations Act rules only require a 50% vote). A share Buy Back requires the approval by a simple majority of 50% of votes cast. Either route would result in a very similar outcome for Shareholders. However, the Board has decided to restrict Shareholders to only voting on the Return of Capital, which results in an artificially and significantly higher voting threshold for approval. This technicality could allow the Board to ignore a majority vote of Shareholders to return all capital. Based on ASX and ASIC regulations, we also note that there was sufficient time for the Board to submit BOTH a Return of Capital AND a share Buy Back resolution to Shareholders at the 30 May 2014 AGM. Shareholders should question why the Buy Back resolution was not added to the resolutions to be voted on at the AGM.

In addition to the incomplete and flawed capital return resolution, the Board has made it very clear that they favour a new acquisition, which they plan to announce in the “near future” with completion in June 2014, subject to Shareholder approval in August 2014. As we have previously stated to Shareholders, our position is:

- i) Now that the business of the Company has materially changed following the sale of the TB Project, Shareholders should be allowed to exercise their own judgement on investing capital in other investment opportunities.
- ii) The existing Board should not be given discretion to reinvest Shareholders’ capital, especially given the disastrous outcome of the investment in the TB Project losing over 60% of shareholders funds and 90% of Shareholder value since the share price peak.

In summary, Quantum and many other Shareholders have no confidence that the current Board can be left with control of over US\$165mm in Shareholder funds to spend on a new project. Especially after overseeing a significant loss of Shareholder value while the Company continues to pay directors' fees and management compensation that is in our opinion, collectively excessive. Shareholders should not need to endure any further loss of value under this Board.

The Board appears to clearly prefer a new acquisition as they are recommending against their proposed Return of Capital resolution, while our strategy is a return of ALL capital to Shareholders as soon as possible.

The Board has stated in its 28 April 2014 Letter Shareholders that “shareholders will vote to determine the future direction of the Company” and has acknowledged that a “diversity of views exists” which will be “properly resolved by way of a shareholder vote”. We agree that Shareholders should decide; however in our opinion, the Board has not structured the vote in a manner that is fair and transparent. Instead the Board has:

- i) Restricted voting options for Shareholders by not including the share Buy Back resolution, which requires a simple majority vote (50% of votes cast) to approve.
- ii) Proposed an approximate A\$0.28 per share **partial** Return of Capital resolution, which requires an approval by 75% of votes cast.



- iii) Stated that it will ask Shareholders to vote in August 2014 on an acquisition targeted for completion in June 2014 (which requires only a simple majority approval of 50% of votes cast), **and only if this fails**, will the Board propose a revised capital return resolution.

It is our opinion that the above plan by the Board is unfair to Shareholders and is heavily slanted towards preserving the Board's acquisition plan. In addition, the Board's plan results in providing additional time to reach an agreement on a new acquisition, maximizing the approval chances of an acquisition and therefore supporting the continuing existence of the Company and the further reduction of Company funds on management compensation and Board fees.

In contrast, the Quantum Resolutions are simple and transparent. We repeatedly asked the Board to put the return of ALL cash to shareholders as soon as possible. They have since had more than enough time to execute this request but in our opinion, **the Board has failed to submit a fair and transparent cash return proposal for shareholders to vote on**. Therefore, as it has become apparent that we cannot leave it to the existing Board to handle this process, we must replace the Board with a new Board that will execute the cash return in a fair and transparent manner. Our plan is simple and has been publicly stated in a very clear manner. Shareholders can have confidence that having made these clear public statements, we will act in accordance with them having regard to applicable securities laws.

We strongly urge all Shareholders to support all the resolutions proposed at the **13 May 2014 EGM**, which are designed to facilitate the **return of ALL capital to Shareholders**.

**By voting YES TO ALL PROPOSED RESOLUTIONS, you will be voting to remove five of the six existing directors and appoint three new independent directors.** These new independent directors have one clear objective - return ALL of the Company's capital to Shareholders AS PROMPTLY AS POSSIBLE.

**UPON SUCCESSFUL VOTE ON ALL OUR RESOLUTIONS, THE OBJECTIVE OF THE PROPOSED DIRECTORS IS THE IMPLEMENTATION OF THE FOLLOWING ACTION PLAN:**

1. Commence corporate actions to facilitate return of Shareholders capital including:
  - a. Halting all other strategic alternatives being pursued by the current Board, namely any mergers or acquisitions currently under consideration;
  - b. Preparing resolutions for Shareholders to vote on alternative methods to return cash;
  - c. Liquidating all remaining non-cash assets, and close out any outstanding creditor obligations, of the Company; and
  - d. Reducing operating expenses of the Company to the maximum extent possible.



2. Proceed with a return of ALL remaining available capital to Shareholders, subject to Shareholder approval by the requisite majorities. Potential alternatives include:
  - a. Return ALL the Company's capital to Shareholders to the extent permissible by way of a Return of Capital. This is our preferred option. Thereafter or in conjunction, proceed with the sale of the Company. The Return of Capital will require the passing of a special resolution of Shareholders to approve (at least 75% of the votes cast); and
  - b. In the event Shareholders do not approve the Return of Capital - undertake a Buy Back targeting the underlying cash value per share to the extent financially prudent. The Buy Back will require an ordinary resolution to approve (more than 50% of the votes cast).

The proposed new Board Members are:

**Mr. Cliff Sanderson** (Independent non-executive; proposed Chairman) is a founder of Financial Services International (Australia) and a 26-year specialist in corporate restructuring and former Partner of Ernst & Young based in Indonesia.

**Mr. Greg Mazur** (Independent non-executive), a founding partner of Quantum Pacific Capital, has worked on projects valued at \$50 billion in 20 countries over 20 years, and was Managing Director, Head of Asian Energy & Resources of ABN Amro Bank.

**Mr. Paul Lim** (Independent non-executive) has over 25 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, and Bankers Trust primarily in Southeast Asia with a focus on Indonesia.

In addition, we are proposing to retain **Mr. Alan Roberts** as a Company director.

**THIS STATEMENT IS ISSUED BY THE CONCERNED SHAREHOLDERS WHO SIGNED THE SECTION 249D NOTICE REQUESTING THE 13 MAY 2014 GENERAL MEETING**

For further information please access our website [www.intrepidcrisis.com.au](http://www.intrepidcrisis.com.au).