

## **Intrepid Mines Extraordinary General Meeting – the fiction and the facts**

The Intrepid Mines EGM Notice of Meeting ("NOM") contains a number of statements that continue the current Board's pattern of defensive self-justification and a refusal to deal realistically with the crisis that has over-taken the Company, as reflected in the share price.

In launching the proposal to renew the Board, the concerned shareholder group led by Quantum Pacific Capital ("Quantum") is offering a new constructive approach to the current Board's failure to secure the Tujuh Bukit project ("Project") after more than 5 ½ years, the consequent loss of \$1 billion in shareholder value and the misallocation of \$100 million in shareholder funds.

Ahead of the critical decision and the shareholder vote on 20 June 2013 Quantum responds to the baseless and misguided statements in the NOM which included unjustifiable attacks on Quantum and the concerned shareholders we represent.

In particular, the current Board claims "the asset was taken away from us..." rather than acknowledging that the Board failed to appropriately secure against that risk. Additionally:

1. Intrepid Board statement: "They (current Directors) understand Indonesia and its mining sector from the inside." (p3)
    - Quantum response: All of this supposed understanding of Indonesia and its mining sector has still resulted in the \$1 billion destruction of shareholder value and the loss of any option our Company has in respect of the Project. How can shareholders now trust this same Board to recover any remaining value?
  2. Intrepid Board statement: "the expenditure of funds on the Project and related administration expenses were both reasonable and appropriate based on the Company's economic interest in the project and the rapidly developing Project size." (p4)
    - Quantum response: it is completely unreasonable and inappropriate for the Board to spend \$100 million in circumstances where the Company had no direct legal title to the Project, the Project is located in an area that strictly prohibits open cut mining and the local partners, PT IMN who held legal title to the Project, have made virtually no investment themselves.
  3. Intrepid Board statement: "The Company's cash reserves have been allocated to progress legal actions...and to investigating other growth opportunities." (p4)
    - Quantum response: Based on the track record of foreign companies in Indonesian courts, the current Board's strategy is severely flawed and puts the Company's remaining cash at risk. Quantum's strategy is based on preserving cash for use in putting the Project into production after securing a direct interest in the Project.
  4. Intrepid Board statement: "The Quantum "solution" does not provide any certainty on a resolution to the Tujuh Bukit imbroglio. It is difficult to understand how Quantum could be in a better position than your Directors to achieve an outcome that will benefit all Shareholders." (p5)
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- Quantum response: The proposed new Board offers proven Indonesian business experience, corporate, financial and mining expertise. We have also initiated a preliminary dialogue with the Project title holder that provides the basis to resolve the crisis for the benefit of all shareholders. Importantly, we don't carry the stigma of being responsible for creating the "Tujuh Bukit imbroglio" and overseeing the massive loss of shareholder wealth that has occurred.
5. Intrepid Board statement: "Quantum should immediately explain exactly how it plans to negotiate with the Indonesian parties, on what legal grounds it would rely in seeking to negotiate with them." (p8)
    - Quantum response: Quantum has previously negotiated successful commercial outcomes with the current Project title holder and is highly confident it could do so again if it represented the Company and its shareholders through the proposed new Board.
  6. Intrepid Board statement: "Quantum ... has been involved in previous deals with the people who are disputing Intrepid's ownership of Tujuh Bukit." (p8)
    - Quantum response: Quantum's managing partner, Greg Mazur, successfully negotiated against the current title holder on a previous occasion more than a decade ago and prior to the existence of Quantum. That is the only connection Quantum has with the current title holder (other than the recent contact Quantum has made with the title holder to gauge its receptiveness to amicably resolving the crisis). It is blatantly false for the Board to continue to imply that Quantum is or was somehow "involved" in the current title holder's interests in the Project.
  7. Intrepid Board statement: "the parties with whom Quantum wants to negotiate are the same people who have evicted Intrepid from the Project site and purported to transfer the ownership of Project licences." (p8)
    - Quantum response: The title holders to the Project are the only parties with whom negotiations can be held, because they have the title! Why does the Board imply this is somehow wrong? Who is the Intrepid Board attempting to negotiate with?
  8. Intrepid Board statement: "By installing four of Quantum's own nominated Directors in a board of 6, the Requisitioning Parties are seeking to gain control of the Board and effectively control the Company's activities and assets ..... In normal circumstances to nominate a majority of Directors, a party would need to mount a takeover offer." (p9) and "If the Requisitioning Parties wish to take control of our Company, they should pay all shareholders an appropriate premium to effect a change of control." (p11)
    - Quantum response: The Board is plain wrong - this is not a takeover. Quantum is not seeking some special advantage that comes with owning control of the shareholdings in the Company. Quantum is proposing a change of leadership capable of restoring some of the lost value on behalf of ALL shareholders under the control of a new Board comprised of a majority of independent directors. The existing shareholders will retain control and benefit from any value that is restored. In a takeover the value creation is acquired by the new owner and in the current circumstances of Intrepid, most shareholders would be left with significant losses and no further participation in the recovery of value.
  9. Intrepid Board statement: "As an activist shareholder group, Quantum will be looking for a quick return on their investment." (p9)
    - Quantum response: Quantum is a patient investor and prepared to commit its skills and resources for the benefit of all shareholders. Significant shareholder value restoration will only be achieved by a combination of a successful negotiation for a direct legal stake and a role in the future of the Project

and following this, the time it will take to develop the Project. This is a misleading statement by the Board.

10. Intrepid Board statement: “It is questionable whether a Quantum-controlled Company will remain listed on ASX.” (p9)

- Quantum response: This statement is unjustified and is definitely not reflective of our plans for the Company. The Board has absolutely no basis for calling the listing of the Company into question.

11. Intrepid Board statement: “the majority of their senior nominated directors are domiciled overseas.” (p9)

- Quantum response: A completely false statement by the Board on a matter that is very straightforward. Two of the four proposed new directors are domiciled in Australia. Four of the six directors of the proposed new Board are domiciled in Australia.

12. Intrepid Board statement: “The arrangements put in place were in accordance with Indonesian law and commercial practice, and similar arrangements had proved bankable for other Australian mining companies investing in Indonesia.” (p9)

- Quantum response: Quantum believes that the facts support the opposite view. Intrepid’s agreement which intended to secure an 80% economic interest in the Project is most likely legally flawed as it most likely attempts to circumvent Indonesian foreign ownership laws and is most likely unenforceable. It was uncommercial for the Board to contribute \$100 million to the Project without a direct legal title, and irresponsible when the local partners, PT IMN, who held legal title to the Project, contributed no capital to the Project. Other Australian mining companies investing in Indonesia shared capital commitments with local partners and strictly limited spending until they received title rights.

13. Intrepid Board statement: “The Alliance Agreement provided for a structure that was no different to the structure that many other international companies had in place at the time.” (p10)

- Quantum response: While this statement by itself is not being challenged, the Board completely misses the key point which is that no other comparable international company with these structures spent anywhere near \$100 million without first securing a direct legal ownership interest in their Indonesia asset once the laws permitted this in January 2010. We have supported this statement with a comparison chart in our April 2013 presentation (p8). The Board continues to make empty claims with no supporting factual evidence.

- Further, in Quantum’s April 2013 presentation we highlighted two distinct licenses that were available for mining in Indonesia prior to 2009, Contract of Work (“CoW”) for foreign investors and Kuasa Pertambangan (“KP”) for Indonesian investors. Both Freeport Indonesia and Kelian Equatorial Mining, with which certain Intrepid directors held previous positions, have licensing arrangements via CoWs in accordance with Indonesian laws intended for international companies. Therefore these directors should have been fully aware of the risks in a foreign company trying to circumvent the KP legal conditions, the Board assumed the risk of doing so and have now burdened shareholders with the consequences of this bad decision.

14. Intrepid Board statement: “we can only infer that these legal processes would be abandoned by a Quantum-controlled board.” (p10)

- Quantum response: This statement has no basis and completely ignores our previous statement. We stated in our April 23, 2013 letter to shareholders (p9) that “We seek to review the legal position of the

Company and prioritise litigation by probability of favourable ruling". At no time have we said the legal processes would be abandoned.

15. Intrepid Board statement: “Mr Paloh continues to provide the Company with extensive assistance.” (p11)

- Quantum response: It has been over nine months since Mr Paloh was given effectively free shares in our Company. The Board provides no evidence of any tangible results to support its claim of assistance from Mr Paloh.

16. Intrepid Board statement: “Unlike Quantum, your directors have built their shareholding over a long period of time.” (p11)

- Quantum response: The directors have token shareholdings in the company and effectively have "no skin in the game" (unlike Quantum which has a more substantial interest). The Managing Director sold the majority of his shareholding around the top of the market. What benefit and value does the tenure of the directors' investment offer shareholders? This statement is simply another attempt by the current Board to deflect attention from the Company's crisis.

17. Intrepid Board statement: “The Proposed sale (of Paulsens) was put to shareholders for approval, and 95% voted in favour of the sale.” (p12)

- Quantum response: The Board's evaluation of the Paulsens asset and the benefit and risks of redeploying that capital to the Project was seriously flawed, as was the Board's recommendation to shareholders. The Board needs to take responsibility for its decisions and not hide behind the market, shareholders or others.

### Expanded Strategic Plan

Today, Quantum released its expanded strategic plan (available on our website [www.intrepidcrisis.com.au](http://www.intrepidcrisis.com.au)) that provides a superior approach to create shareholder value to that offered by the current Board. Our strategic plan outlines our negotiation process, corporate strategy and development plans related to the Project. Our focus and aim is to secure a direct interest in the Project within the next 6-9 months, followed by implementing the necessary steps to put the Project into production in cooperation with the new Project owners, creating additional short-term and long-term value for all shareholders. This is in contrast to the current Board's strategy which is based on a prolonged, costly and highly uncertain legal battle against the current and former title holders.

We believe Quantum's strategic plan is better conceived and has a greater probability of success than the current Board's hostile, legal-based approach in terms of timing, alignment of interests, and viability of future development of the Project.

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Shareholders are invited to contact the Concerned Shareholders group at [www.intrepidcrisis.com.au](http://www.intrepidcrisis.com.au) or call the information line on 1300 562 199 (outside Australia +61 2 8022 7902).