



# INTREPID MINES LIMITED

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### **Significant change in circumstances demands board reverse Paulsens sale recommendation.**

**21 June 2010:** Intrepid Mines Limited (ASX,TSX: IAU) (the “Company”) reports that, since the announcement of the Paulsens sale transaction on 5 May 2010, mine development and further exploration at Intrepid’s expense has significantly increased the forecast life of mine gold production from Paulsens.

In addition, sharp increases in the A\$ gold price have occurred (due largely to a weaker exchange rate), and together these factors have increased forecast cash flow from the mine by approximately \$19 million (75%). As a result, Intrepid’s Board of Directors has now withdrawn its support for the proposed sale of the mine to Northern Star Resources Limited (“Northern Star.”)

“The Board’s decision is based upon new information and changes in the market which had not previously been anticipated” said Colin Jackson, Intrepid’s Chairman. “Following additional exploration work as well as sharp changes to the gold price, we find ourselves in a position which would result in our existing shareholders forgoing far too much value for the compensation we have been offered. The Board still sees merit in selling Paulsens to concentrate on Tujuh Bukit but not under the terms of the current deal.

Having reviewed all circumstances today, including the significantly increased size of the mine’s gold resources as well as the recent increases in the Australian dollar gold price, and hence the projected increase for a Paulsens cash flow well in excess of the sale consideration, the Board now recommends that shareholders oppose the resolution to sell the Paulsens gold mine on the terms set out in the Notice of Meeting.”

Based on an earlier estimate of the mine’s potential production as well as on projected cash flow as calculated using earlier gold prices and Australian currency exchange rates, the two companies had signed a Letter Agreement for the planned sale for a consideration of up to A\$27 million. This Letter Agreement remains subject to shareholder approvals and other approvals and conditions usual to an agreement of this type.

Following discussions regarding the changes to cash flow forecasts, Northern Star have approached the Company with a variation on the Letter Agreement, which envisages an additional cash payment of \$5 million, payable in six monthly instalments commencing on 31 August 2010, on condition that the gold price remains at or above A\$1,400, plus the grant of 10 million options to subscribe for shares in Northern Star at a price of \$0.10 per share (a 33% premium to the closing price on 18 June 2010).

The Intrepid Board does not believe that this variation adequately compensates shareholders for the cash flow value that would be forgone in the event of the sale proceeding.

#### **BACKGROUND:**

On 26 May 2010, Intrepid distributed a Notice of Meeting for a shareholder meeting to be held on 28 June 2010, to consider the sale of Paulsens on the terms set out in the Letter Agreement. At the time of the Letter Agreement, the Company's cash flow projections forecast a positive cash flow of A\$25 million over the remaining life of the mine. Additionally the Company could benefit from a potential plant salvage value (estimated at A\$2 to 2.7 million), partially offsetting rehabilitation, demobilisation and redundancy costs, which are likely to exceed A\$4 million. The cash flow forecast was based on a gold price of A\$1,200 per ounce, which compares with the first quarter 2010 average received price of A\$1,235 per ounce.

Under the existing Letter Agreement, Intrepid is to receive A\$15 million immediately upon completion of the transaction, which is subject to the obtaining of shareholder approval and the fulfilment of other conditions precedent. Subsequently, the Company would receive a further payment based on gold production such that, if the Intrepid remaining mine plan eventuates as was forecast at that time, then the Company would receive a total of A\$23.6 million with the potential for receiving up to a further A\$3.4 million depending upon production in excess of forecast.

Based on resource estimates as of February 2010, Paulsens' remaining life mine plan was estimated at slightly in excess of 145,000 tonnes of development and stope ore (average grade 9.33g/t and 95% recovery) plus residual low grade ore, all of which was forecast to be milled to produce approximately 43,000 ounces of gold. The forecast ore grade compares with the March 2010 quarter average grade of 5.8 g/t, the life-of-mine average grade of 7.6 g/t and the current 21,785 tonne stockpile estimated grade of 10.45 g/t.

However, subsequent exploration, comprising the final surface wedge holes and underground resource drilling, totalling 5,858 metres since February 2010, has intercepted additional gold resources, increasing the projected production by approximately 8,000 ounces for total production of approximately 51,000 ounces.

Further, as previously noted (see 7 June 2010 news release), on the day of the Paulsens sale announcement, the gold price was US\$1,185 per ounce. Since that date, the spot gold price has traded up to above US\$1,250 per ounce. At the same time the Australian dollar has weakened, such that at latest market close the Australian dollar gold price was over A\$1,400 per ounce. As identified in the Notice of Meeting, a 10 percent change in Australian dollar gold price changes the cash flow by 21 percent. Therefore, if the current A\$ gold price were to prevail for the balance of the operating mine life, then the Intrepid mine plan would additionally deliver approximately A\$19 million over and above the A\$25 million forecast, all things going to plan. However, the significant volatility in US\$ gold price and A\$ / US\$ exchange rate, and production risks associated with fluctuations in grade and recovery should be borne in mind.

**Forward-looking statements**

This announcement contains certain forward-looking statements, relating to, but not limited to Intrepid's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as 'anticipate', 'believe', 'expect', 'goal', 'plan', 'intend', 'estimate', 'may' and 'will' or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future outcomes, or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects, and timing of commencement of operations and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied.

Shareholders and potential investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Intrepid undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Statements relating to gold resource estimates are expressions of judgment, based on knowledge and experience and may require revision based on actual production experience. Such estimates are necessarily imprecise and depend to some extent on statistical inferences and other assumptions, such as gold prices, cut-off grades and operating costs, which may prove to be inaccurate.

**FOR MORE INFORMATION**

Colin Jackson  
Chairman

Tel: +61 7 3007 8011 Web: [www.intrepidmines.com](http://www.intrepidmines.com)

ABN: 11 060 156 452. Level 1, 490 Upper Edward Street Spring Hill QLD 4004, Australia