

Murchison Metals Limited: Letter to Shareholders

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[Murchison Metals Limited](#) (ASX:MMX) releases a letter to Shareholders regarding a General Meeting of Shareholders of Murchison Metals Limited (the 'Company').

Dear Murchison Shareholder,

As previously announced, a General Meeting of Shareholders of Murchison Metals Limited (the 'Company') will be held at 10.00am (WST) on Monday 13 February 2012 to consider the proposed sale of the Company's interest in Crosslands Resources Ltd ('Crosslands') and the Oakajee Port and Rail infrastructure projects to Mitsubishi Development Pty Ltd ('Mitsubishi') for a total consideration of A\$325 million (the 'Transaction').

A Notice of Meeting and Explanatory Memorandum has been sent to all Shareholders and is also available on the Company's website. This letter is to be read in conjunction with those documents.

Your Board of Directors has unanimously recommended that Shareholders vote in favour of the Transaction, in the absence of a superior proposal emerging. To date, no superior proposal has emerged.

The Independent Expert, KPMG, has concluded that, in the absence of a superior offer, the Transaction is in the best interests of Murchison Shareholders. The Independent Expert's Report is included in the meeting documentation.

As part of the Company's agreement with Mitsubishi, there are a number of conditions to be satisfied before the Transaction can be completed ('Completion') including Foreign Investment Review Board (FIRB) approval and the assignment or novation of the State Development Agreement (SDA) for the OPR infrastructure projects as well as two other port related contracts.

I am pleased to inform you that FIRB has issued a letter advising that it has no objection to the Transaction, and assignments of the SDA and the other port related contracts to Mitsubishi are being finalised.

Barring any material adverse change occurring, your Board expects that all of the conditions precedent to Completion (other than Murchison Shareholder approval) will be satisfied prior to the General Meeting.

Accordingly, if Shareholders approve the Transaction at the General Meeting, the Company expects to immediately proceed to complete the sale of the Company's interest in Crosslands and the Oakajee Port and Rail infrastructure projects to Mitsubishi.

Your vote is important to the Transaction proceeding and on behalf of the Board I encourage you to vote by attending the General Meeting, or by completing and returning the proxy form included with the notice of meeting. You can also vote online at <http://www.linkmarketservices.com.au>.

Murchison post completion of the Transaction (if approved by Shareholders)

If Shareholders approve the Transaction, the nature of the Company will be significantly altered, with the Company's key asset comprising the net cash proceeds of the Transaction, expected to be approximately A\$217 million.⁽¹⁾

The Board is considering efficient mechanisms of distributing the majority of those net cash proceeds to Shareholders ('Distribution'). As part of that process, the Company is seeking a ruling from the Australian Tax Office ('ATO') regarding the tax treatment of any Distribution to Shareholders. The Company will also need to prepare audited financial statements to determine the proceeds which will be available for Distribution taking into account any residual liabilities that may emerge in respect to the Transaction and expected wind down costs. For these reasons, it is expected to take up to 6 months before Shareholders would have the opportunity to consider and vote on any Distribution. A more detailed timetable will be provided once the tax ruling from the ATO has been obtained.

Given the expected time to proceed with a Distribution, the Board intends to use the intervening period to assess the merits of any investment opportunities in the natural resources sector that are presented to, or identified by, the Company which have the potential to enhance shareholder value. This assessment may extend beyond the expected time required for proceeding with a Distribution if a compelling investment opportunity has been identified.

In this context, Rothschild is advising the Company and will assist in undertaking a considered and disciplined assessment of the potential investment opportunities that may arise given the broader investment climate, which currently inhibits ready access to capital markets for companies in the natural resources sector. It is likely that Shareholders will be required to separately approve the Company proceeding with any material investment opportunity that is identified through this process.

Following Completion of the Transaction, it is also intended that the Company's organisational structure will be downsized in line with the reduced nature of the Company's activities. In particular, it is proposed that the composition of the Murchison Board will be reduced and restructured to better reflect the requirements of the Company post Completion. I intend to continue in my role as Non Executive Chairman and Greg Martin will continue as the Company's Managing Director.

The Murchison management team will also be downsized and restructured to consist of a small number of key personnel required to operate the Company.

Together, the Board and management changes are expected to result in significantly reduced operating expenditure for the Company.

Conclusion

I believe it is prudent to use the time required to proceed with any Distribution to Shareholders to investigate whether there are any compelling investment opportunities available to the Company. Shareholders will of course be updated regarding any material developments relating to the proposed use of the net cash proceeds derived from the Mitsubishi Transaction.

On behalf of the Board I would like to thank Greg Martin and his team who have worked tirelessly in the six months since Greg's appointment to optimise Shareholder value under very difficult circumstances.

I would also like to thank all Murchison shareholders for their support in recent times and I look forward to your support for the Transaction at the General Meeting on 13 February 2012.

(1) For further information, please refer to section 4 of the Explanatory Memorandum attached to the Notice of Meeting dated 23 December 2011.

About Murchison Metals Limited:

Murchison Metals Limited is an Australian ASX listed company. Murchison is included in the S&P/ASX 200 Index.

Murchison is a 50% shareholder in Crosslands Resources Ltd which is the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia. The remaining 50% of Crosslands is held by Mitsubishi Development Pty Ltd ('Mitsubishi'), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

Murchison also has a 50% economic interest in an independent infrastructure business, Oakajee Port and Rail ('OPR'). OPR was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA.

The remaining 50% economic interest in OPR is held by Mitsubishi.

In addition to its investments in Crosslands and OPR, Murchison owns the Rocklea iron ore project located in the Pilbara region of Western Australia.

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