

Mallee Resources chair Jeffrey Moore urges Hartree deal support

Shareholders are being implored to back a deal that could keep an embattled West Coast mine afloat, while federal Treasurer Jim Chalmers has been asked to consider the situation.

A shareholder vote on July 27 will determine whether the controversial deal involving cash-strapped Avebury Nickel mine owner Mallee Resources Limited and big shareholder and key lender Hartree Metals goes ahead.

"Simply speaking, the solvency of Mallee will be threatened if shareholders do not approve the resolution," Mallee chairman Jeffrey Moore said in a letter to shareholders dated July 20.

The deal would involve Hartree being issued with warrants that would take its ownership of Mallee past 50 per cent, giving it effective control.

The mine reopened last year after a long period of care and maintenance.

It employs about 200 people.

Some shareholders are voting no and are prepared to risk blowing up the company because of their distaste for the deal, which would decrease the value of their shares.

They also want Mallee relisted on the ASX so share trading can resume.

"Hartree's attempted takeover is putting the future of the Avebury mine, the local workforce and its suppliers and contractors at great risk," shareholder group spokesperson Kalenn Amand said recently.

"From day one of Mallee Resources' ownership of the Avebury mine, Hartree's loan terms are constantly of short duration and with very high renegotiation fees."

Mr Moore told shareholders the mine reached nameplate mining capacity for the first time ever in June and production at the mill had recently beaten budget.

"We continue to believe that accepting Hartree's proposal is in the best interest of shareholders, critically, facilitating satisfaction of the conditions to further funding to Avebury to provide it with needed liquidity and capital," he said.

He said Mallee had been unable to secure an alternative funding proposal in the required timeframe, and described that as an important risk.

"Without an additional source of external funding, Mallee will be unable to service the short-term debt repayments as they fall due," he said.

MP worried

Braddon Liberal MHR Gavin Pearce is concerned by the situation, and questioned whether it was fair and equitable.

He recently wrote to Dr Chalmers asking him to consider the situation under the investment rules.

"There are a lot of mum and dad investors," Mr Pearce said.

"They've paid 42c (per share) in good faith, but the foreign entity won't have to pay the same equitable share price to effectively gain control of a company ...," Mr Pearce said.

"The whole reason we have foreign investment laws is to protect Australian investors and Australian shareholders in maintaining and owning Australian operations ...

"The broader issue here is the market signal that the Australian market sends to shareholders and mum and dad investors who want to invest in Australian businesses, Australian mines, Australian agriculture and the rest of it.

White horse

"The ideal situation is for someone to ride in on a white horse with \$120 million bucks and give the directors around that table a second option."

Mr Pearce told Dr Chalmers he had been contacted by concerned workers and shareholders.

"The takeover ... does not just affect the mine's operations and the workers it employs," Mr Pearce wrote.

"There is also substantive impact on shareholders.

"There is well-founded concern that the 3500 shareholders invested are having their equity bought back at a below fair value price of 42c per share."

He urged Dr Chalmers to consider what harm the deal would cause the workers and investors.

ENDS

Article by Sean Ford