

Regency Mines plc
Q&A Session - 29 June 2020

Scott Kaintz, James Parsons and Sarah Dees

Transcript:

Scott Kaintz (Chief Executive Officer)

Thank you for joining us for the first Q and A session with RGM and thank you to all of those who submitted their questions over the last week. RGM has delivered on three major initiatives during the COVID -19 lockdown:

Scott Kaintz (Chief Executive Officer)

1. Acquisition of a 1.7m debt position in ASX listed RMI, which owns 100% of the Wo Wo Gap Nickel project, complimenting our historic Mambare nickel-cobalt project and setting ourselves up to become a major player in the region

Scott Kaintz (Chief Executive Officer)

2. Key agreement with our JV Partners on how to take the Mambare nickel-cobalt JV forward together towards a mining lease and ultimate production

Scott Kaintz (Chief Executive Officer)

3. Investment in Weirs Drove Development, which adds to our existing Flexible Grid Solutions project pipeline, and sits alongside our existing Southport opportunities

Scott Kaintz (Chief Executive Officer)

Despite challenging market conditions we are determined to emerge post lockdown materially stronger and in a position to accelerate our program of growth on both the battery metals and Flexible Grid Solutions fronts.

Question from Oilplayer

As part of the management changes James Parsons was brought into Regency, Mr Parsons has attracted, rightly or wrongly, significant negative commentary across the investment community. In his early days at Sound Energy he delivered significant shareholder value and he has his supporters, why does Mr Parsons not promote Regency in presentations and media given his high profile status?

James Parsons (Executive Chairman)

Thank you for this question. Regency is very fortunate to have a high quality CEO with Scott, who is excellent at media and presentations. There is of course a time for the Chairman to be more front of house also. I actually have a lot to say (possibly more than most would think!) about my vision for RGM in the battery metals space and that will come. When I transitioned into the role I gave myself six months of stepping out of the public eye (and signed off social media). This may appear strange but was a conscious choice to ensure I maintain a healthy balance in life and business (having spent 8 years previous in a retail led stock). Anyway that period is coming to an end so you will start to see more of me September onwards!

12:05 PM

Question from StephenPearce

You have recently stepped down to a non exec director in Red Rock Resources, is Regency Mines now your main focus?

Scott Kaintz (Chief Executive Officer)

Indeed, as we entered 2020 it became clear that the aspirations we have for Regency would require the majority of my time and energy, and I began working with the team at Red Rock to begin a formal transition process, of which the recent announcement was the first step. As Regency continues to evolve, the expectation is that Regency will be my primary focus going forward.

12:12 PM

Question from StephenPearce

Can you update shareholders on the Mambare mining licence application and interpretation/ release of the ground penetrating radar work completed earlier this year.

Scott Kaintz (Chief Executive Officer)

As we've announced the ground penetrating radar work has been completed earlier this year in PNG, and the raw data can now be processed. We are working with our partner on the project, Battery Metals, to determine what of the work done makes sense to process in the near term, and when that might be completed. In particular, our focus is on how this processing would best support our mining lease application. On the mining lease application itself, we certainly would look to update the markets more formally as that process progresses, but our current feeling is that the COVID pandemic is likely to slow the PNG Government's review at least broadly.

12:19 PM

Question from StephenPearce

What is your ultimate aim for RGM?

James Parsons (Executive Chairman)

Good afternoon Stephen. Let me try to set out my thinking here.... When I decided to get involved at Regency it was really to launch a company in the battery metals space building on our learnings of the past, our connectivity to cornerstone investors and a belief in the world transitioning to electric vehicles and a lower carbon economy (which of course will require significant investment in batteries and specifically battery metals). The ultimate aim (your question) is to create a company of scale with both solid infrastructure style cash generation (initially from our flexible grid solutions division) and significant upside exposure as the inevitable electric vehicle trends materialise. The combination of these two in such a "hot" thematic space I believe will return a lot of value to shareholders, which of course is the ultimate goal. I believe the journey for Regency, at this early stage, is all about designing the strategy, accessing the capital, attracting the team and then executing the operations. As I have said before, having a thick skin is important too as turning around a micro-cap is never straightforward and never without bumps in the road. In our case (and in my view) the recent financial collapse and COVID 19 related issues has hit our price and our early momentum hard but we I believe are poised to come back now. So in summary I see us as a much larger company with cash flow generation, upside exposure and a diversified portfolio and shareholder register. The first 6 months since I have joined have been focused on cleaning up the somewhat messy history (things like the Mambare partner dispute), accessing some early seed capital which was needed, acquiring a (albeit initially indirect) position in a second Nickel asset at a cheap price, providing structure and focus to our "infrastructure style" flexible grid solutions opportunity funnel and buying into a second funnel with Weirs Drove. This isn't a comprehensive list but are the main items. As a result of this work we are now, I believe, positioned rather well in terms of funding, upside exposure and newsflow.

12:22 PM

Question from polymure2020

Regency Mines is a name that no longer seems to fit?

James Parsons (Executive Chairman)

Although I personally don't dislike the Regency name, I think on balance your point is fair. As flagged in our investor presentation we therefore expect to rebrand shortly and behind the scenes have already done the work for this.

12:24 PM

Scott Kaintz (Chief Executive Officer)

Further to James' points, I agree! In fact we have announced earlier in the year that a rebranding/ renaming process was underway, and while I can't be super specific at present, I can confirm that this process is quite advanced and that we're pretty excited about the early results. Our goal is to capture in our name and branding the strategy of placing RGM at the intersection of battery metal exploration and the end results of these batteries in their application in the UK grid, under our Flexible Grid Solutions Division. I think our offering here is truly a unique one on AIM and we look forward to presenting a fresh public face that matches these aspirations.

12:27 PM

Question from StephenPearce

The updated presentation refers to “M&A and introduction of cornerstone investors” expected Q3 onwards. This alludes to a larger transaction/ acquisition. Can you provide any further information on the type & scale of what this type of transaction may be?

James Parsons (Executive Chairman)

The Company really isn't allowed to provide specific guidance on future potential transactions. What we can do however is try to transparently flag the level of ambition we have. Personally I didn't get involved in Regency for the Company to stay in the micro cap space for long. Admittedly the global downturn and associated issues have slowed momentum for us from back end of March but we are in a sector which is very hot and have a thematic linkage with battery metals which is second to none. It is important we secure our place as a material player in this sector relatively quickly if we can (most forecasts I have seen expect to see the re-rating of the battery metal commodity prices in the coming 3 years).

12:30 PM

Question from polymure2020

What progress is being made with legacy assets such as Curzon Energy to bring value to that holding?

James Parsons (Executive Chairman)

Regency no longer holds a position in Curzon Energy (I believe there was a Curzon TR1 a few weeks ago notifying of the change). Personally I don't want Regency holding equity positions in other AIM companies unless there is a very specific reason to do this. I have a preference for a tight portfolio focused on our specific strategic objectives / themes.

12:40 PM

Question from StephenPearce

When is the Canadian Vanadium exploration due to start, and what will the work programme consist of?

Scott Kaintz (Chief Executive Officer)

Obviously, I can't say too much on the specifics, but broadly speaking we have publicly indicated an interest in activating our Dempster Vanadium project in Canada this year, COVID permitting of course! In our discussions with our partners on the project we appear to be well aligned, and our high-level take is that the project offers low risk/high reward exploration of the kind that RGM traditionally focuses on. We see work along these lines as matching well with our more industrial Flexible Grid Solutions initiatives which focus more on generating near term cash flow to the business. Any work conducted in the Yukon this year would likely focus on identifying drill targets in anticipation of further development.

12:42 PM

Question from Craig

Regency Mines has gained a reputation over the years of talking big but providing very little shareholder value. Why should shareholders expect anything different going forward?

James Parsons (Executive Chairman)

I can't really talk to the history tbh however I can assure you we intend to do exactly what we have set out since the restructuring at the end of last year. Whilst timelines and plans may naturally evolve (and for sure not everything will go exactly to plan!), we have spent the last six months cleaning up the business and putting in place the groundwork for what is to come. We need to make some big steps into the new energies / electrification space whilst opportunities are still sensibly priced! The bet we are taking strategically is that the EV trend continues and that the world increasingly has to migrate to a lower carbon economy. I believe that is pretty compelling but of course every investor has to make their own choices. Along the way we will keep an open dialogue with investors and listen to your feedback.

12:51 PM

Question from StephenPearce

Tell us about RGM's new acquisition of the Weirs Drove Development.

Scott Kaintz (Chief Executive Officer)

Purchasing a 50% interest in Weirs Drove Development is the Company's latest initiative, and one that we felt slots in nicely alongside our existing Flexible Grid Solutions portfolio. The team at WDD has been working for some time now developing a portfolio of energy and storage projects, with a particular focus on storage. Most, but not all of these projects are in the Cambridge area, a region that has real needs across its grid and transmission system. The general concept was to add a second "horse" to this race at minimal cost to RGM, where we can support the WDD team in advancing its portfolio and potentially look at synergies such as financing something like our peaker plant at Southport alongside some of the WDD projects. Relationships such as those with Limejump, owned by Shell, also are likely to have applications across multiple projects. While COVID has had negative effects on many industries, our take is that grid solutions projects be they storage, gas peakers or solar, appear to be moving forward at pace, and we believe will continue to be executable regardless of what happens in the course of the pandemic. Broadly speaking, investors should look forward to news that these projects are "shovel ready", then funded at the SPV level, then under construction and finally operational. Each of these steps will be important ones for RGM going forward.

12:58 PM

Question from Oilplayer

The company raised £470k at .80p to acquire debt in a sub £1m valued ASX listed company Resource Mining, they own the Wo Wo Gap nickel project in PNG, what is the relevance of buying this debt? As I understand it it does not acquire any percentage stake in the project at all, the management of Resource Mining said in ASX announcements they have had no contact with Regency management to date and seem bemused as to what is going on. How does this deal deliver value to Regency shareholders and why the urgency to do it, thus resulting in a massively discounted placing from the December 2.75p raise. Kindly explain how Regency plan to deliver value from the 2 nickel projects in PNG, is the aim to sell them or attract a larger partner to consolidate and develop them, if so on what timeframe?

James Parsons (Executive Chairman)

Thanks for this question. Let me try to unpack the RMI / Wo Wo Gap transaction logic... We started working this transaction prior to the global financial collapse end March. Fundamentally we see logic in picking up early stage Nickel deposits in anticipation of potential future rises in the price of Nickel (driven by increased demand for batteries for EV). Specifically with Wo Wo Gap we see synergies with Mambare given their proximity to each other (they could for example share some of the road infrastructure, port investments and shipping contracts, not to mention the permitting synergies and staffing etc). As you rightly point out Wo Wo Gap is owned by a ASX listed company called RMI. We have acquired a portion of the debt in RMI and have taken an option to purchase the rest of the debt on the same proportional terms. We believe the pricing of the debt purchase is attractive to our shareholders (it was bought at a significant discount). As we announced once we have secured all the debt we intend to initiate discussions with RMI on how we can capture the synergies between the two assets. We are delighted to have the Sinom Group as a new investor and of course we know and are supportive of RMI (where Sinom btw owns I believe circa 50% of the equity as well as the debt). Our relationships with Sinom and RMI are excellent. So the deal structure aligns Regency with Sinom and we hope and expect to work together to obtain the best outcome for all parties. The next step is to exercise the option to pick up the rest of the debt. Then we can look to capture the synergies and as you say either move them into a DSO operation or we can work them up for eventual sale. Both are interesting options depending on where Nickel prices end up. To come back to one of your questions - when the global downturn hit and our share price reduced we had a clear choice - to execute the deal we had prepared (which indeed meant raising some money at a lower price as the share price had been hit by the downturn) or to walk from the deal. We decided the deal was attractive enough to proceed on balance and that the raise pricing was compensating by the debt pricing. I think in time this will be seen as a smart deal for Regency shareholders.

1:08 PM

Question from StephenPearce

Tell us about yourself, life before AIM & Plc's

Scott Kaintz (Chief Executive Officer)

Sure, I graduated from Georgetown University in Washington DC with a degree in Russian, in part on a scholarship provided by the United States Air Force. I had lived and studied in Moscow a few times in high school, and was always interested in our former Cold War enemies. In return for the USAF's support I was commissioned an officer upon graduation and spent a bit of time in Omaha, Nebraska supporting recon aircraft, before going to Texas for additional military training.

Thereafter I lived in Italy at a NATO base and deployed to Bosnia each month supporting the tail end of the Balkans mission, and then when that began to shut down, moved to Germany where I deployed to Afghanistan for 6 months and to Israel for 4 during the invasion of Iraq. Following this I had completed my obligations to the USAF and so separated and became a contractor helping manage intelligence and IT contracts across Europe with first Titan Corporation and then L3 Communications. Thereafter I entered a dual MBA program at London Business School and Columbia Business School, where I was first exposed to the exciting world of AIM. My take has always been that basic concept of deploying technical teams to remote parts of the world, needing to both accomplish a "mission" and to keep everyone safe and healthy, significantly overlaps between aspects of military life and the natural resource space. While many might be turned off by the jungles of PNG for example, I can always compare this to nightly rocket shelling at Bagram in Afghanistan, these things are all relative! So it has been a varied and quite interesting run to date, and I think the mentality and flexibility required in some of my previous roles plays well with the requirements of running a business here on AIM.

1:15 PM

Question from Craig

Although it was pleasing to see Mr Ainsworth participate in the recent placing, it has to be acknowledged it was only a modest amount. As a shareholder, I like to see Directors with real 'skin in the game', so can we expect to see a greater level of participation during future placings and see Directors purchasing Regency shares in the Market?

James Parsons (Executive Chairman)

Feedback noted Craig (we cant speculate on future Director purchases but I wanted to acknowledge your feedback).

1:15 PM

Sarah Dees (Investor Relations)

Thank you for the question Craig. All questions with regards to director remuneration will be forwarded to the chair of the Remuneration Committee for comment.

1:16 PM

Question from Oilplayer

Scott A number of AIM management teams have taken salary cuts and/or or taking shares in lieu of salary during these difficult times - there appears to be nothing of this ilk going on at Regency - Why did admin costs increase by £100k in the most recent half year from £267k to £371k - surely the idea is to reduce costs, annual G&A costs of circa £800k-£1m is too high for a £1.7m m/cap company

Sarah Dees (Investor Relations)

Thank you for the question, all questions with regards to director remuneration will be forwarded to the chair of the Remuneration Committee for comment.

1:22 PM

Question from markwhite81

Would you or James be willing to take your remuneration package in shares instead of cash ? You are both on other boards so its not your sole source of income, and it would also show that you have faith in the company and aligned to share holders interests ! If/when we start turning a profit then your remuneration package can be adjusted accordingly then !

Sarah Dees (Investor Relations)

Thank you for the question Mark, all questions with regards to director remuneration will be forwarded to the chair of the Remuneration Committee for comment.

1:24 PM

Scott Kaintz (Chief Executive Officer)

Thank you for your questions so far. We will be closing to new questions shortly

Question from SteveYelland

Hi Scott- Re the Weirs Drove deal recently announced- 1. Can you let us know if the plan is to use just lithium ion storage or combine this with vanadium redox flow tech at Burwell 2. What extra funding (apart from your £100k) will be needed to complete the Burwell build? Thanks

Scott Kaintz (Chief Executive Officer)

WDD currently intends to use lithium ion batteries at the Burwell site, which is expected to be inside an existing building there, not far from the regional substation. We have strong interest in vanadium redox flow batteries, especially given our project in the Yukon, but our experience to date is that they are not as straightforward to finance at present as lithium variants. Burwell itself should cost about £10m to bring into operation, and we would expect to do that at an SPV level through a mix of equity and debt. One might look to debt finance the SPV between 50-70% depending on how things play out, but broadly speaking there are numerous providers of both debt and equity focused on this space.

1:26 PM

Question from polymure2020

In this way the Regen aspect of Regency works really well. Do you not think this makes Regency a fortunate legacy?

Scott Kaintz (Chief Executive Officer)

One angle of thinking we have explored are variations on the existing Regency name and branding for sure. You'll have to wait and see to find out which way we decided to go on that particular topic, but in the end "New Co" will make or break its legacy with its own performance over the coming months and quarters. While RGM as an entity has a long history behind it, which I'm aware people like to focus on, what is offered today is effectively a new company and new investment proposition top to bottom, starting with what is effectively a new BOD. While there is of course some overlap in projects and people, including of course me, I can assure investors that the fundamental manner in which the strategies are developed and then refined into operations and investment activities bears little in relation to the RGM of years prior. While different does not of course inherently mean better, we strongly believe these changes will manifest themselves in both share price and operational successes over time.

1:39 PM

Question from Craig

With regard to the announcement made by the company on 3rd March, are you in a position to offer shareholders any sort of update following the submission of the EREC G99 Grid Application?

Scott Kaintz (Chief Executive Officer)

We can't say anything specifically on the G99 for the Southport project, as we would expect to make a formal announcement once the grid connection is in place. That said, we can confirm what has previously been said in that the application has been made and is being processed. Clearly, COVID-19 has caused numerous problems with DNOs such as the one we are dealing with there, and many have been operating on an emergency basis as they attempt to limit employee levels and thus their collective exposure to the virus. So while delays may occur, our reading is that the grid application will be processed normally over time. Overall, Southport remains a part of the Flexible Grid Solutions portfolio, and we are focused on moving Phase I to "shovel ready" status, meaning its grid connection, lease and planning are fully in order. We shall naturally update the market formally as things progress.

1:51 PM

Question from polymure2020

In the end would this deposit be a straight forward leaching operation or require high energy roasting as part of the processing to release the V2O5?

Scott Kaintz (Chief Executive Officer)

Given the stage of the project it is probably a bit early to speculate on exact processing methods, but generally speaking a simple leaching process, perhaps involving multiple steps at atmospheric pressure, might be anticipated. However, again I would caution that as we learn more about the project the partners would look to refine our understanding of how best to economically develop it. Our focus at present would be on defining both the extent of the strike and the grade as we build towards a NI-43-101 resource.

1:55 PM

Question from RGM

Scott can you please give us an indication when we can expect the GPR results from Mambare please ? Many thanks Neil Howell

Sarah Dees (Investor Relations)

Please see previous answer on this link: [Question #20](#)

1:57 PM

Question from SirJason

Are you still looking to add new projects to the Group?, and if so, can give us a flavour of the type of projects you are looking to add?

Scott Kaintz (Chief Executive Officer)

Generally, the projects we are considering fall into one of two major categories, battery metals on the mineral exploration side, and energy storage and production projects on the Flexible Grid Solutions side of things. At present I think it is fair to say the Board feels the current portfolio is a strong one and already supports a valuation well in excess of our current market cap. That said, with the choppy economic waters at present, the Company would expect to keep its eyes open regarding new opportunities, especially if available from distressed sellers and if they allow for material upgrades of the existing portfolios. It is an enviable position to be able to consider targets of opportunity with no real requirement to engage with them unless they make sense and are truly exciting.

2:02 PM

Question from StephenPearce

How are talks progressing with RMI regarding WoWo gap? Can you explain the synergies with Mambare, and what possible outcomes may be.

Scott Kaintz (Chief Executive Officer)

Talks with RMI remain at a high level, as RGM would need to execute the second half of the option with the team at Sinom prior to full engagement with RMI. The synergies with Mambare include the clear advantages of potentially combining these interests in some form creating a larger and rather significant player in the PNG nickel space. This would have the obvious pluses of allowing the entities to share assets and people in PNG and to wield a great deal more influence when trying to progress mining leases and the like. Finally, one could potentially exploit both resources together, and might look to DSO both taking advantage of each project's strengths. I would also highlight the potential involvement of Sinom, a group with deep access to offtake in China, and who is now a major shareholder of RGM. Clearly a lot of intriguing moving parts at play here with more to follow

2:11 PM

Question from regencyminesadmin

We have had a few questions on funding which we are slightly paraphrasing here: Broadly, can you comment on the use of proceeds for the funds raised this year and what the strategy going forward is please?

Scott Kaintz (Chief Executive Officer)

The funds raised this year support the growth and development of both our battery metals interests (Mambare/RMI-WoWo/Dempster Vanadium) and our Flexible Grid Solutions portfolio (Southport/Weirs Drove Dev). The former is designed to offer investors the opportunities for outsized returns and true blue sky, whereas the latter is a more industrial play allowing for near-term cash generation in a very exciting and government supported space, which we look to begin to cover both the PLC overheads and to ultimately fund the exploration side of the business. We think these two arms complement each other well and offer investors a diverse and unique investment proposition from battery metals in the ground to the use of these batteries in the modern UK energy grid.

2:17 PM

Scott Kaintz (Chief Executive Officer)

Thank you for all of your questions - we hope that you found the session useful. It is our intention to have these sessions on at least a quarterly basis, but would welcome feedback on the frequency of future sessions. We will post the questions and answers on the company website later this week. We hope that everyone is well and staying safe.