

Klondex Mines Ltd. Announces \$20 Million Equity Financing and US\$7 Million Debt Financing

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TORONTO, ONTARIO -- (Marketwire - Nov. 2, 2012) - [Klondex Mines Ltd.](#) (TSX:KDX) ("Klondex", or the "Company") is pleased to announce that it has engaged a syndicate of agents lead by GMP Securities L.P. and including MGI Securities Inc., RBC Dominion Securities Inc., Fraser Mackenzie Limited and Mackie Research Capital Corporation (collectively, the "Agents") to complete a private placement financing on a fully-marketed best efforts basis (the "Equity Offering") by issuing up to approximately 14,815,000 non-transferable subscription receipts ("Subscription Receipts") at a price of C\$1.35 per Subscription Receipt (the "Issue Price") for aggregate gross proceeds of up to C\$20,000,250. The Agents have been granted an option (the "Agents' Option") exercisable up to 48 hours before closing to increase the size of the Offering by up to 15% (C\$3,000,037) to C\$23,000,287. Each Subscription Receipt will be deemed to be exchanged upon satisfaction of the Escrow Release Condition (as defined below), without payment of any additional consideration, for one unit (a "Unit") of the Company. The Subscription Receipts will provide for appropriate adjustments to be made in the event of share dividends, consolidations, distributions and other forms of capital reorganizations.

Each Unit will consist of one common share in the capital of the Company (a "Unit Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Unit Warrant"). Each Unit Warrant will entitle the holder thereof to purchase one common share at a price of C\$1.75 for a period of 2 years following the closing of the Offering. In the event that following 4 months and one day after the closing date, the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange (the "TSX") for a period of 20 consecutive trading days exceeds C\$2.50, the Company may, within five days after such an event, provide notice to the warrant holders of the accelerated expiry of the Unit Warrants, and thereafter the Unit Warrants will expire on the date which is 30 days after the date of the notice to the Unit Warrant holders.

The Equity Offering is expected to close on or about November 20, 2012 (the "Closing Date"). The gross proceeds of the Offering, less the Agency Fee and the Agents' expenses and out-pocket-costs (the "Escrowed Funds"), shall be deposited in escrow on the Closing Date. The Escrowed Funds will be released from escrow to the Company upon receipt by the Company of the requisite approval of the Company's shareholders to the Equity Offering pursuant to the requirements of the TSX (the "Escrow Release Condition"). In the event that the Escrow Release Condition is not satisfied on or before December 31, 2012, the gross proceeds will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be automatically cancelled. In the event that the Escrow Release Condition is satisfied on or before the Closing Date, the Company will issue Units under the Offering at a price of C\$1.35 per Unit on the Closing Date in lieu of Subscription Receipts.

Concurrent with the closing of the Equity Offering, the Company expects to issue senior unsecured notes (the "Notes") to certain accredited investors in the principal amount of US\$7,000,000 (the "Commitment") by way of private placement (the "Debt Offering"). In consideration for providing the Commitment the Company shall issue to the noteholders up to 525,000 common share purchase warrants of the Company (the "Note Warrants"). The Note Warrants will be issued on the date upon which the Company draws down the Commitment which is expected to be on the date of closing of the Debt Offering. Each Note Warrant will allow its owner to purchase one common share of the Company at a price equal to C\$1.55 (the "Note Warrant Exercise Price"), subject to adjustment. The Note Warrants will expire on the date that is 18 months following their date of issue. If for a period of 20 consecutive trading days following the issuance of the Note Warrants and prior to the expiry of the respective Note Warrants, the closing price of the Company's common shares on the TSX exceeds C\$2.79, the Company may, within 30 days of such an occurrence, give written notice to the holders of the Note Warrants that the Note Warrants will expire on the date which is 30 days after the date of the notice to the Note Warrant holders.

The net proceeds from the Equity Offering are expected to be used for the development of the Fire Creek gold project in Nevada, USA, and ongoing operating and working capital requirements. The net proceeds

from the Debt Offering are expected to be used to repay existing indebtedness and for general operating and working capital requirements.

The Equity Offering and the Debt Offering remains subject to the receipt of all required regulatory approvals, including, without limitation, the approval of the TSX. The Subscription Receipts, the Units, the Unit Shares, the Unit Warrants and the Note Warrants will be subject to a four month plus one day hold period in Canada.

The maximum number of common shares being issued and made issuable pursuant to the above described private placements is 26,080,875, representing approximately 55.05% of the 47,377,415 common shares of the Company currently issued and outstanding. If a company listed on TSX proposes to issue more than 25% of their outstanding listed securities, TSX requires that such company obtain the approval of the shareholders of the company prior to issuing the listed securities.

Further, it is expected that certain insiders of the Company, including one significant shareholder, K2 & Associates Investment Management Inc. ("K2"), will subscribe for up to an aggregate of 3,066,705 Subscription Receipts (assuming the exercise of the Agents' Option in full). K2 is expected to subscribe for up to 2,555,587 Subscription Receipts, and for up to US\$4,000,000 in the Debt Offering, in connection with which, K2 will receive up to 300,000 Note Warrants. Therefore a total of up to 4,979,150 common shares may be issued or made issuable to insiders of the Company (representing approximately 10.5% of the issued and outstanding common shares of the Company) within a six month period. As the total number of common shares issued and made issuable to insiders of the Company represent more than 10% of the issued and outstanding common shares of the Company, TSX requires that shareholders of the Company approve the issuance of the shares, excluding the votes attached to the shares owned by all insiders of the Company. Pursuant to section 604(d) of the TSX Company Manual, the Company will be obtaining such shareholder approval by way of written consent from shareholders who hold more than 50% of issued and outstanding the common shares of the Company (excluding insiders of the Company). Regardless of whether the Company obtains shareholder approval, up to 525,000 Note Warrants (representing 1.1% of the issued and outstanding common shares of the Company) will be issued pursuant to the Debt Offering. The Equity Offering and the Debt Offering will not materially affect control of the Company and the Company does not expect that any new insiders will be created as a result of the private placements.

About Klondex Mines Ltd. (www.klondexmines.com)

[Klondex Mines](#) is focused on the exploration and development of its Fire Creek gold deposit in North Central Nevada. Fire Creek is a compelling gold mining prospect located in a region of prolific gold production that is near power, transportation, mining infrastructure and several milling facilities. As of November 1, 2012, Klondex had 47.3 million shares issued and outstanding, and 59.6 million shares on a fully-diluted basis.

This news release contains forward-looking statements, including about current expectations on the timing of the Equity Offering and the Debt Offering and the amount of proceeds to be raised pursuant to such offerings and the expected use of proceeds. These forward-looking statements entail various risks and uncertainties, are based on current expectations, are subject to a number of uncertainties and risks, and actual results may differ materially from those contained in such statements. These uncertainties and risks include, but are not limited to, the ability to successfully complete the Equity Offering and the Debt Offering, the approval of the shareholders of the Company of the Equity Offering, the approval of the TSX, the strength of the global economy; the price of gold; operational, funding and liquidity risks; the degree to which mineral resource estimates are reflective of actual mineral resources; the degree to which factors which would make a mineral deposit commercially viable are present; the risks and hazards associated with underground operations. Risks and uncertainties about Klondex's business are more fully discussed in Klondex's disclosure materials filed with the securities regulatory authorities in Canada and available at www.sedar.com. Readers are urged to read these materials. Klondex assumes no obligation to update any forward-looking statement or to update the reasons why actual results could differ from such statements unless required by law.

On Behalf of Klondex Mines Ltd.

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