

Andromeda Metals Ltd.: Rights Issue - Letter to Shareholders

19.04.2017 | [ABN Newswire](#)

Adelaide - [Andromeda Metals Ltd.](#) (ASX:ADN) (the Company) announced a pro rata non-renounceable entitlement offer (Offer) to holders of shares in the Company as at 6.30pm ACST on Thursday 20 April 2017 (Record Date).

Andromeda Metals will apply the funding to its two wholly owned Australian gold projects in South Australia and Queensland. On the advanced Eyre Peninsula project in South Australia the Company is undertaking the drilling, testwork and studies required to progress the Barns and Baggy Green deposits of the Wudinna Gold Camp into production. The Wudinna Gold Camp already has established resources totalling 200,000 ounces of gold which can underpin a mine development, while significant growth to this resource position appears achievable with further successful exploration.

The Drummond Basin in Queensland hosts the world-class Pajingo gold mine, an epithermal style gold deposit which has produced over 3 million ounces. The Company holds tenements in this district and has discovered a number of Pajingo style epithermal vein systems. Surface samples confirm these never before drilled vein systems to be gold-bearing, presenting outstanding exploration opportunities for shareholders.

Pursuant to the Offer, the Company will offer Eligible Shareholders a total of 202,883,532 fully paid ordinary shares in the capital of the Company (New Shares) at an issue price of \$0.008 per share to raise approximately \$1.623 million before costs. The New Shares will be offered on the basis of 1 New Share for every 2 Shares held at the Record Date (Entitlement). In addition, 1 attaching listed Option (Primary Option) will be issued for every 2 New Shares subscribed under the Offer. Each Primary Option is exercisable at \$0.012 per share and has an expiry date of 31 March 2018. For every Primary Option exercised before the expiry date, the Option holder will receive one ordinary share and a further Option (Secondary Option) with an exercise price of \$0.015 and an expiry date of 31 March 2019.

This offer is only being extended to shareholders with registered addresses in Australia and New Zealand (Eligible Shareholders). All other shareholders (Non-Resident Shareholders) will not be offered entitlements under this issue. The Company has determined, in accordance with the Corporations Act and ASX Listing Rules, that it would be unreasonable to make the offer to Non-Resident Shareholders having regard to the number of shareholders in the places where the offer would be made, the number and value of the rights that would be offered, and the cost of complying with the legal requirements in those places.

The offer price of \$0.008 represents a 20% discount to the Company's closing price on 10 April 2017 and a 28% discount to the volume weighted average price of the Company's shares over the 30 days leading up to the Offer announcement. If the valuation of the attaching Primary Option is also taken into account, these increase to indicative discounts of 40% and 45% respectively.

The New Shares will be fully paid and will rank equally with the Company's existing issued shares. No further consideration other than the payment of the respective exercise price will be payable by Eligible Shareholders for the Primary and Secondary Options (collectively called New Options). The New Options are transferable and the Company will make application to the ASX for official quotation of the New Shares and Primary Options.

Eligible Shareholders are also being offered the opportunity to further increase their shareholding in the Company by applying for additional shares in excess of their pro rata entitlement on the same terms as the Shares subscribed under the Offer. Applications for additional shares will be satisfied in the event of and to the extent that there is any shortfall in acceptances of the Offer.

The net proceeds received from the Offer will be principally directed to funding the Wudinna Gold Camp as it progresses towards mine production, and exploration on the Drummond Epithermal gold project. Specifically the planned programmes include:

- At the Wudinna Gold Camp on Eyre Peninsula in South Australia, step-out drilling at the Baggy Green gold deposit to explore along strike from recent intersections including 16 metres at 5.72g/t gold and 11 metres at 9.32g/t gold, leading to an updated Mineral Resource estimate; and
- Infill drilling at the Barns gold deposit, leading to reclassification of Inferred Resources to Indicated

Resources, a requirement then allowing the estimation of Ore Reserves; and

- Testwork to establish metallurgical parameters at both Barns and Baggy Green; and
- Scoping/pre-feasibility studies to establish project economics and sensitivities;
- On the Drummond Epithermal gold project in Queensland, the first ever drill tests at targets including the large gold-bearing Bunyip epithermal vein system;
- Meeting on-going fixed exploration and working capital costs and the costs associated with the Offer.

The anticipated timetable for the Offer is as follows:

Event: Lodgement of Prospectus with ASIC

Date: Thursday 13 April 2017

Event: Announcement of Issue (and lodge Appendix 3B)

Date: Thursday 13 April 2017

Event: Notice to Shareholders containing Appendix 3B information and timetable

Date: Tuesday 18 April 2017

Event: Shares commence trading on an ex rights basis

Date: Wednesday 19 April 2017

Event: Record Date for the Offer

Date: Thursday 20 April 2017

Event: Prospectus and Entitlement and Acceptance Form despatched to Shareholders

Date: Wednesday 26 April 2017

Event: Opening Date of the Offer

Date: Wednesday 26 April 2017

Event: Closing Date of the Offer

Date: Tuesday 16 May 2017

Event: New Shares and Primary Options quoted on a deferred settlement basis

Date: Wednesday 17 May 2017

Event: Advise ASX of any Shortfall

Date: Friday 19 May 2017

Event: Issue Date of New Shares and Primary Options (deferred settlement basis ends)

Date: Tuesday 23 May 2017

Event: New Shares and Primary Options commence trading on a normal T+2 basis

Date: Wednesday 24 May 2017

The timetable is indicative only and is subject to change at the discretion of the Directors. The Directors also reserve the right to not proceed with the whole or part of the Offer at any time prior to allotment. In that event, application monies will be returned without interest.

A copy of the Prospectus, lodged with ASIC and ASX on 13 April 2017, is available on http://media.abnnewswire.net/media/en/docs/87887-Prospectus_and_EA.pdf

The Directors who are Eligible Shareholders have confirmed their intention to participate in the Offer.

Your Entitlement

This letter is advance notice of some of the key terms and conditions of the Offer. Full details of the Offer, together with a personalised Entitlement and Acceptance Form, are contained in the Offer Prospectus (Prospectus) which will be separately mailed to Eligible Shareholders on Wednesday 26 April 2017. Only [Andromeda Metals Ltd.](#) Shareholders registered at 6.30pm ACST on Thursday 20 April 2017 will be entitled to participate in the Offer.

Shareholders should consider the Prospectus carefully in deciding whether to participate in the Offer and will

need to follow the instructions contained in the Entitlement and Acceptance Form to take up their entitlement. Shareholders may also elect to participate in the Shortfall Facility by applying for New Shares in excess of their pro rata entitlement.

About Andromeda Metals Ltd:

[Andromeda Metals Ltd.](#) (ASX:ADN) is an Australian Securities Exchange listed company focusing on mineral exploration for gold, copper and lithium deposits. The company has built a highly prospective exploration portfolio of projects covering 7,969 sq kms within 21 exploration licences located in South Australia, Queensland, Western Australia and the Northern Territory. Andromeda Metals was incorporated on 23 December 1993 and subsequently listed on the ASX on 11 September 1996. The company's head office is in Adelaide, South Australia.

Andromeda Metals' vision is to be a sustainable minerals exploration company providing shareholders with risk managed discovery, development and mining opportunities.

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Die URL für diesen Artikel lautet:

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