

Andromeda Metals Ltd. Exploration Development Incentive Scheme

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Adelaide - Andromeda Metals (ASX:ADN) is pleased to advise that it has been successful in its application for participation in the Federal Government's Exploration and Development Incentive Scheme (EDI) for the 2015-16 financial year.

Summary

- The Australian Taxation Office has confirmed that a modulation factor of 1.0 is to apply for the purposes of calculating an entity's eligible exploration expenditure for the 2015-16 financial year, meaning that 100% of the 2016 EDI credits can be distributed by the Company to eligible shareholders.
- EDI credits totaling \$189,761 will be distributed as a tax credit against a shareholder's 2016-17 tax year return.
- The benefit received by individual shareholders will be based on the number of shares held at the Record Date pro-rated to the total shares on issue. Based upon the number of shares currently on issue, which does not take into account any shares to be issued under the currently open non-renounceable Rights Issue, the benefit amounts to 0.047 cents per share.
- New shares to be issued under the non-renounceable Rights Issue will also qualify to receive the EDI credit.
- The cost to the Company of distributing the EDI credits is estimated at \$10,000.
- To be eligible, a shareholder must be recorded on the Company's share register at the Record Date, which is 31 May 2017.

Introduction

On 2 February 2015 the Senate passed the legislation in relation to the Exploration Development Incentive Scheme. The EDI scheme is intended to encourage shareholder investment in exploration companies undertaking greenfield mineral exploration in Australia.

In broad terms, from 1 July 2014 the EDI scheme allows small mineral exploration companies with no taxable income to provide a refundable tax offset to their Australian tax resident shareholders by renouncing their tax losses arising from expenditure incurred undertaking eligible greenfields mineral exploration in Australia during the year.

Unlike producing mining companies, junior explorers generally have no revenue against which to deduct exploration expenditure. By allowing junior exploration companies to pass their losses on to shareholders as tax credits, the EDI provides an incentive for investment in the Australian mineral exploration sector.

The EDI scheme is capped at \$100 million over the forward estimates, with total EDI credits capped at \$25 million for exploration expenditure incurred in 2014-15, \$35 million for exploration expenditure incurred in 2015-16, and \$40 million for exploration expenditure incurred in 2016-17. It is however the Company's understanding that the Budget Papers released earlier this week by the Federal Government contained advice that it has decided to cancel the EDI scheme from next financial year.

A modulation process is used by the ATO to ensure the cap is not breached each year and to share the benefit evenly amongst eligible explorers. As a result of the modulation process, EDI credits become available for distribution in the year following the year in which the eligible expenditure was incurred.

EDI claim by Andromeda Metals Andromeda Metals undertook exploration activities on a number of its Projects during the 2015-16 financial year incurring costs that qualify as eligible exploration expenditures under the EDI scheme.

Consequently, the Company made application to participate in the EDI scheme and has been advised of its

success.

Given that the ATO has confirmed that a modulation factor of 1.0 is to apply for the purposes of calculating an entity's eligible exploration expenditure, this means that tax credits applicable to 100% of the eligible exploration expenditure incurred by the Company are able to be passed back to Andromeda Metals shareholders recorded in the share register at the Record Date.

As such, a total of \$189,761 in EDI tax credits is available to be passed back to shareholders who are recorded on the Company's share register at the Record Date of 31 May 2017. Based upon the current number of shares on issue, which does not take into account any shares to be issued under the currently open non-renounceable Rights Issue, this would equate to a tax credit of 0.047 cents per share held.

New shares to be issued under the non-renounceable Rights Issue will also qualify to receive the EDI credit. Shares issued upon exercise of options prior to the Record Date will also be eligible for the tax credit and will impact the EDI distribution per share.

The EDI credits will apply to eligible shareholders for the 2016-17 tax year and must be issued by the Company by 30 June 2017. Shareholders should advise the Company registrar of any changes to their registered address.

Eligible shareholders will be notified by the Company of their EDI credit entitlement in the approved form on 30 June 2017.

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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