

# **Mamba Minerals Limited**

Company Announcements Office  
Australian Securities Exchange

via electronic lodgement

6 July 2010

## **Non –Renounceable Rights Issue**

The Board of Mamba Minerals Limited (ASX:MAB) ("**Company**") advises that it will be offering eligible shareholders the opportunity to acquire additional fully paid ordinary shares in the capital of the Company ("**Shares**") via a non-renounceable rights issue ("**Rights Issue**") on the basis of 1 Share for every 1 Share held at the record date of 15 July 2010 ("**Record Date**").

Shares under the Rights Issue will be offered at 1.6 cents per Share. Based on the current capital structure (and assuming no options to acquire Shares ("**Options**") are exercised prior to the Record Date) a total of an additional 55,916,674 Shares will be issued if the Rights Issue is fully subscribed and the amount raised will be approximately \$894,000.

As at the date of this announcement the Company currently has 9,333,346 Options on issue. In order to participate in the Rights Issue these Options must be exercised prior to the Record Date.

The Rights Issue is conditionally fully underwritten by Carmichael Capital Pty Ltd (ACN 088 006 160) ("**Underwriter**"). Entitlements as a result of additional Shares issued due to the exercise of options to acquire Shares prior to the record date of the Rights Issue are not underwritten. The Company will pay the Underwriter a fee of 5% (excluding GST) of the underwritten amount together with a management fee of \$20,000 (excluding GST) as well as reimbursement of expenses.

## **Recent events**

The Company announced to the ASX on 24 December 2009 that the Company will raise approximately \$1,150,000 (before costs of the relevant issues) through the January Issue\* and the Placement\*\*. Under a mandate dated ("**Mandate**"), Indian Ocean Capital Pty Ltd ("**IOC**") had been appointed Lead Manager to both capital raisings.

The Company had intended these two capital raisings to form a coordinated strategy to support the Company's existing project and the identification, and possible acquisition of a new asset, along with providing further working capital.

The January Issue closed with an approximate shortfall of 40%, which was subsequently placed by IOC pursuant to the terms of the Mandate.

On 12 March 2010 Shareholders approved resolutions for the Placement that was to have raised a further \$577,375, before costs.

Based on the approval of Shareholders obtained on 12 March 2010, the Company had to make the Placement by 11 June 2010.

On 10 June, however, IOC had not yet completed the Placement and indicated to the Company that the Placement would only proceed on the basis that certain officers of the Company were removed, or resigned. These were not conditions existing under

# **Mamba Minerals Limited**

the Mandate and, after considering the conditions the Board was not prepared to proceed with the Placement.

On 14 June 2010, seemingly as a direct consequence of refusing to meet these additional conditions, companies controlled by IOC Directors served a requisition pursuant to Section 249D of the Corporations Act, and a corresponding Notice under Section 203D of the Corporations Act, on the Company to remove the entire Board and to replace them with persons nominated by those IOC Directors.

Subsequently, on 15 June 2010, by way of legal demand, IOC required the Placement to proceed. That letter also foreshadowed potential legal action based upon the Company's alleged breach of the Mandate for its refusal to proceed with the Placement. In light of the conditions imposed by IOC, the Board returned all applications and Placement funds to IOC.

On 16 June the Board announced that it:

“intended to continue to fulfil the capital raising strategy outlined in the Prospectus accompanying the January Issue and approved by shareholders on 12 March 2010, or as near as possible in light of the present circumstances.”

This capital raising strategy, as approved by shareholders, had been integral to the Board's plan to introduce new opportunities to the Company in the near future.

Indeed, the Board had been hoping that its relationship with IOC would result in the introduction of potential new prospects. That has not proved to be the case, and the condition that they sought to impose on the Placement seems to have been a pre-requisite for this to occur.

The Board has already anticipated that additional Directors may need to be appointed in connection with, or as a prelude to, an acquisition, but believes that right is within its discretion when such a need arises rather than being imposed as IOC sought to.

In light of the conditional, or contingent, sale of its principal existing undertaking in Mozambique, the Company has been actively reviewing potential new projects over recent months and the Board is now actively engaged in discussions with several parties in relation to those opportunities.

The Company believes that it has identified a potential asset that may provide significant additional benefit to Shareholders, but it is unable to pursue this, or indeed any other potential asset, based on current cash reserves. This is a matter that the Company expects to provide further information to the market on in the very near future.

Consequently, it is imperative, in the Board's view, that the Company's capital raising intentions be fulfilled as a matter of urgency.

As has been previously announced to the ASX, the Company had planned to raise just over \$1M by way of the January Issue and the Placement, as a coordinated strategy. It now finds itself approximately \$500,000 short of its anticipated cash balance.

Unfortunately, the Board now anticipates additional legal, advisory and administrative costs being incurred due to the current circumstances. In the Company's current circumstances these are not 'insignificant'.

# **Mamba Minerals Limited**

It has also reviewed its expectations of what funds might be required to participate in new potential projects. The Board has come to the view that an additional \$300,000 at least (in addition to the amount originally identified in January) will be either required, or extremely beneficial, to the Company's aspirations.

In short, the Directors have reviewed the Company's strategic requirements over the next 6-12 months, and believe that it will require a minimum of \$1M to meet its ongoing overheads, maintain a small 'reserve' to service any requirements from its Mozambique assets and to review, identify and develop an additional asset to better support the Company's future and shareholder value.

A large rights issue is never a decision that a board welcomes in the shadow of a share price that has fallen by around 300% over the last 6 months. We have formed the view, however, that if funds are to be raised at an historically low level, they should be done on a basis that affords all shareholders with the first option to participate.

In light of this, the Company's current trading price and the present state of Australian capital markets, the Board formed the view that there was no alternative to the proposed Rights Issue. Any alternative would simply not have raised sufficient funds to allow the Company to meet its immediate, and minimum, strategic goals and would have wasted the funds raised from the January Issue.

Pricing of the Rights Issue has also, understandably, been a vexed issue. Whilst wishing to raise the required capital in as effective manner as possible, a number of factors had to be weighed against the broader, and longer-term, interests of shareholders. Ultimately, the Directors desire for maximum take-up, as well as the imperative that the Rights Issue be fully underwritten left the Board with the unenviable decision to price the Rights Issue at the lower end of the range it had considered. Moreover, the Board has had to be mindful of the volatility and unpredictability of the Australian and international capital markets in seeking to ensure that the Rights Issue proceeds with the minimum possible risk.

We do not underestimate the disappointment that this may bring to some members, however, the Directors' view is that restoring shareholder value will not be assisted by further volatility in the market price, even at the current unacceptable levels.

Whilst we have priced the Rights Issue in the hope that as many members as possible accept their entitlement, we also acknowledge that the take-up may fall short of our expectations. Given the imperative of the Company's capital requirements the Company has secured an underwriter to conditionally fully underwrite the Rights Issue.

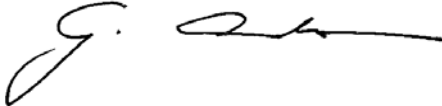
The Board considers that other than the obvious benefit that a fully underwritten Rights Issue brings, an additional benefit is that any shortfall from the Rights Issue will be managed by an independent party which is unrelated to the Company, especially given the potential introduction of a number of new investors into the Company discussed further below. Whilst the Underwriting Agreement will give the Underwriter discretion over the placement of shortfall, the Board has negotiated that all requests for shortfall received from shareholders will be forwarded to the Underwriter for consideration in conjunction with requirements from sub-underwriters.

A final, and inevitable, consequence of the terms that the Board has reluctantly arrived at is the potential introduction of a number of new investors into the Company should there be a significant shortfall. The significance of this is impossible to canvas at this point in time. In any event, the terms of the Underwriting Agreement strictly

# **Mamba Minerals Limited**

avoid any one (underwriter or sub-underwriter) assuming greater than 20% of the voting power in the Company as a result of the placement of any shortfall.

Within the context of this sobering Company update, the Board wishes to confirm its commitment to do all things possible to restore value to the shareholders and to encourage the acceptance of the entitlements offered pursuant to the Rights Issue which will be made by way of an Offer Document which is anticipated to be lodged with the Australian Securities Exchange later today.



**GRAHAM ANDERSON**  
Company Secretary

\* **“January Rights Issue”** means the 1:2 rights issue under the Prospectus dated 11 January 2010.

\*\* **“Placement”** means a proposed placement of 18,625,000 Shares at \$0.03 per Share, together with a free attaching Option for every 2 Placement Shares and a further placement of 18,625,000 Options at an issue price of \$0.001 per option as approved at a Shareholders meeting held on 12 March 2010.