

ASX Code: CHK

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 31 JULY 2014

NON-RENOUCEABLE RIGHTS ISSUE SECTION 708AA NOTICE

Cohiba Minerals Limited (ASX: CHK) (“the Company”) has announced a pro-rata non-renounceable rights issue on a 1-for-1 basis of up to 20,987,500 new fully paid ordinary shares (“New Shares”) at an issue price of 3 cents (\$0.03) cash per share payable in full on application (“Offer” or “Rights Issue”).

The Offer will be made to holders of ordinary shares in the Company with a registered address in Australia or New Zealand (“Eligible Shareholders”) as at 5:00 pm (Melbourne time) on 30 July 2014 (“Record Date”). Eligible shareholders have the right to take up one new share for every one share held as at the Record Date (“Entitlement”).

The Offer is not underwritten. In the event that following the close of the Offer a shortfall remains (“Shortfall”), Foxfire Capital Pty Ltd (“Foxfire”) will manage the placement of the Shortfall to persons interested in subscribing for shares in the Company. Any such placement will occur within three months of the close of the Offer subject to the *Corporations Act 2001* (Cth) (“the Act”) and the ASX Listing Rules.

The Company provides the following information in accordance with section 708AA(2)(f) of the Act:

- (a) the New Shares will be offered for issue without disclosure to investors under Part 6D.2 of the Act;
- (b) this notice is given under section 708AA(2)(f) of the Act;
- (c) as at the date of this notice, the Company has complied with:
 - (i) the provisions of Chapter 2M of the Act as they apply to the Company; and
 - (ii) section 674 of the Act;
- (d) as at the date of this notice, there is no information that is ‘excluded information’ (as defined in sections 708AA(8) and 708AA(9) of the Act); and
- (e) the potential effect that the issue of the new shares will have on the control of the Company and the consequences of that effect is described below.

Effect of the Offer on control of the Company

If Eligible Shareholders take up their full Entitlement under the Offer they will not be diluted. If Eligible Shareholders do not exercise their Entitlement under the Offer, or only exercise part of their Entitlement, they will be diluted. Ineligible shareholders will have their holdings diluted by the Offer. The extent of any dilution will depend on the level of participation in the Offer.

The effect of the Offer on control of the Company will depend upon a number of factors including:

- the level of Eligible Shareholder participation in the Offer and the identity of Eligible Shareholders who do participate in the Offer; and
- if applicable, the level of Shortfall remaining following the close of the Offer, the identity of investors who participate in any placement of the Shortfall and the level of such investor participation.

It is not possible for the Directors to predict the final level of participation and Shortfall under the Offer, or the identity of Eligible Shareholders who will subscribe for their Entitlements.

The Directors are also unable to state with certainty the identity of any prospective subscribers under the Shortfall, or the total number of Shortfall shares which will or can be placed.

Assuming that none of the subscribers for the Shortfall are existing shareholders, and assuming that 100% of any Shortfall is placed, then the maximum dilutionary effect on existing shareholders is as follows:

Event	Number of New Shares issued under Entitlements	Number of New Shares issued under Shortfall	Total number of shares on issue post Offer	Maximum dilution to existing shareholders
Offer fully subscribed	20,987,500	0	41,975,000	0.00%
Offer 75% subscribed	15,740,625	5,246,875	41,975,000	50.00%
Offer 50% subscribed	10,493,750	10,493,750	41,975,000	50.00%
Offer 25% subscribed	5,246,875	15,740,625	41,975,000	50.00%
No subscriptions	0	20,987,500	41,975,000	50.00%

The above table provides the worst-case scenario regarding dilution. If less than 100% of any Shortfall is placed then the maximum dilution to existing shareholders is less than 50%.

The potential effect of the Offer on the control of the Company is as follows:

1. If all Eligible Shareholders take up their full Entitlements, there would be no significant effect on the control of the Company, as the Offer is made pro-rata and in that case no Entitlements would lapse or revert to the Shortfall.
2. If Eligible Shareholders do not take up their full Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted.
3. The proportional interests of ineligible shareholders will be diluted because those ineligible shareholders are not entitled to participate in the Offer.

Substantial Shareholders

The Company has applied to ASIC to approve Foxfire to act as nominee to sell the New Shares that might have otherwise been issued to shareholders outside Australia and New Zealand.

If ASIC approves the appointment of Foxfire as nominee for the purposes of section 615 of the Corporations Act (as detailed above), Eligible Shareholders will be permitted to acquire New Shares (but only to the maximum extent of their full pro-rata Entitlement) under the Rights Issue, even if such acquisition results in a shareholder holding a relevant interest exceeding 20% of the voting power in the Company on a post Offer basis.

Accordingly, as the Rights Issue is not underwritten and there is no guarantee that Foxfire can place any or all of the Shortfall remaining after the close of the Offer, where the Entitlement component of the Offer and Shortfall is not well subscribed, the Rights Issue may result in one or more substantial shareholders increasing their voting power in the Company above 20%.

The current substantial shareholders of the Company are:

Name	Number of shares held	Voting power %
Vermar Pty Ltd <CAP A/C>, Patrick John Volpe and Maria Catina Volpe	3,520,550	16.77%
Mr Mathew Donald Walker	2,693,649	12.83%
Mr David Bernard	2,000,000	9.53%
Jascot Rise Pty Ltd, Mordechai Benedikt and Rivka Benedikt	1,675,000	7.98%
New Hopetoun Pty Ltd and Ezra Silman	1,575,000	7.50%
TOTALS	11,464,199	54.61%

The following table demonstrates the maximum dilutionary effect the Rights Issue will have on existing shareholders at the close of the Offer, assuming that the substantial shareholders of the Company subscribe for their full Entitlements under the Rights Issue. The table below does not take into account any placement of the Shortfall.

% participation by other holders	Number of New Shares issued to other holders	Number of New Shares issued to substantial holders	Total number of New Shares issued	Total number of shares on issue post Offer	Maximum dilution to other holders that do not participate
100%	9,523,301	11,464,199	20,987,500	41,975,000	0.00%
75%	7,142,476	11,464,199	18,606,675	39,594,175	46.99%
50%	4,761,651	11,464,199	16,225,850	37,213,350	43.60%
25%	2,380,825	11,464,199	13,845,024	34,832,524	39.75%
0%	0	11,464,199	11,464,199	32,451,699	35.33%

However if ASIC does not approve the appointment of Foxfire, and the Company is unable to appoint an alternative nominee, then no person can acquire shares under the Rights Issue to the extent that such acquisition would result in that person having a voting power in the Company in excess of 20%

Mailing Address Suite 3, 16 Cotham Road, Kew, Victoria 3101

Registered Office Suite 506, Level 5, 1 Princess Street, Kew, Victoria 3101

Phone 03 9855 1886 **Fax** 03 9855 2885 **Web** www.cohibaminerals.com.au

ACN 149 026 308 **ABN** 72 149 026 308

(on a post Offer basis). In that situation, each substantial shareholder would be unable to increase their voting power beyond 20% unless another exception under the Corporations Act applied to the acquisition by that shareholder, and the Entitlements of ineligible shareholders will lapse and form part of the Shortfall.

It is the responsibility of Eligible Shareholders to ensure that their participation under the Offer does not result in them breaching the Corporations Act. The Company disclaims any responsibility for any breach of the Corporations Act by an Eligible Shareholder.

Allocation of Shortfall

The Directors are aware that if the Offer is significantly undersubscribed, a potential effect of any placement of the Shortfall may be that a subscriber under the Shortfall could potentially acquire control of the Company. Accordingly the Directors have instructed Foxfire to allocate the Shortfall (if any) in accordance with the policy described below, which is designed to mitigate potential control effects of any placement of the Shortfall.

If there is a Shortfall after the close of the Offer, Foxfire may place the Shortfall with various sophisticated, professional or exempt investors. To the extent that it is commercially practicable and taking into account the Company's funding requirements, Foxfire will endeavour to place the Shortfall to a spread of investors, in order to mitigate any control effects which may arise from issuing the Shortfall to a single or small number of investors.

In any event, no subscriber will be permitted to acquire shares under the Shortfall to the extent that such acquisition would result in that subscriber having a voting power in the Company in excess of 20% (after the close of the Offer and the placement of the Shortfall).

In determining the allottees under the placement of the Shortfall, Foxfire and the Company will ensure that none of the Shortfall is allotted to related parties of the Company.

Offer Structure

In structuring the Offer, the Directors considered whether there may be any factors that may give rise to unacceptable circumstances. On the basis of the following key considerations, the Directors determined that the structure of the Rights Issue was appropriate and unlikely to give rise to unacceptable circumstances:

- the Company has an apparent need for funds as demonstrated by the Cashflow Budget contained in the Offer Document lodged with ASX and which will be distributed to Eligible Shareholders;
- funds are required to sustain the operations of the Company and to meet the cost of the proposed acquisition of investments;
- the Offer price is three cents (\$0.03) per New Share, which represents a 53% discount to the volume weighted average price of shares of approximately 6.4 cents (\$0.064) per Share calculated over the six month period ending on 30 June 2014 (being the day that the Rights Issue was first announced). The pricing of the Offer was designed to be at a discount to encourage shareholders to take up their Entitlements so as to reduce the level of Shortfall (and any consequent control effects arising from placement of that Shortfall), whilst eliminating the likelihood of any person acquiring control of the Company (through the Shortfall placement) at a substantial discount;
- the Offer price is also at a discount to the net tangible assets per Share; and

- the structure of the Offer will enable the Company to achieve the fairest outcome possible for its shareholders as all Eligible Shareholders will have a pro-rata entitlement to subscribe for New Shares. It is the Director's view that any facility for Eligible Shareholders to take up New Shares in excess of their Entitlements may have the likely consequence of distorting the relative shareholdings in the Company (contrary to the principles of a pro-rata offer) and that such a distortion will not be in the best interests of the Company or the shareholders as a whole. If the Offer is not generally taken up by shareholders, then those participating in a Shortfall facility may otherwise acquire New Shares not in proportion to their shareholdings; on the contrary if the Offer is restricted to pro rata entitlements (with no Shortfall facility), all shareholders have a pro-rata opportunity to contribute and participate. In the event that there is a Shortfall, the Directors consider that their allocation policy (as detailed above) will ensure an even spread of Shortfall allocation such that any control effects are, where possible, mitigated.

Foxfire

Mr Pat Volpe, a director and substantial shareholder of the Company, is a shareholder of, and consultant to, Foxfire. Foxfire will be paid fees for its services in connection with the Rights Issue on normal terms and conditions as follows:

- for managing the placement of the Shortfall on a best endeavours basis: Foxfire will be paid a fee of 5% (plus GST) of the total funds raised under the Rights Issue; and
- for providing the nominee sale service for ineligible shareholders: if ASIC approves the appointment of Foxfire to act as nominee, Foxfire will be paid a fee of \$6,000 (plus GST).

Mr David Herszberg Chairman