

# Canaco Resources Inc. Announces Proposed Spin-Out of Tigray Resources Inc.

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VANCOUVER, 04/19/11 - [Canaco Resources Inc.](#) (TSX VENTURE: CAN) ('Canaco' or the 'Company') is pleased to announce its intention to spin out its 70% interest in the Harvest copper-gold-silver VMS project (the 'Harvest Project') in Ethiopia into a wholly owned subsidiary of Canaco, [Tigray Resources Inc.](#) ('Tigray'), through a Plan of Arrangement (the 'Arrangement'). The Arrangement is designed to deliver greater value to shareholders by unlocking the value of the Harvest Project, which comprises six exploration concessions covering 277 square kilometres in the Tigray region of Ethiopia, 600 kilometres north-northwest of the capital city of Addis Ababa.

Prior to completing the acquisition of the Harvest Project, Canaco drilled 12 holes on the Terakimiti prospect as part of a due diligence program, 11 of which returned significant mineralized intercepts. The highlight hole (hole 10HTD003) returned 52.1 metres grading 4.10% copper, 1.55 grams per tonne gold and 25.97 grams per tonne silver, starting at a depth of 45.6 metres, including 23.7 metres at 7.30% copper, 1.88 grams per tonne gold and 21.88 grams per tonne silver (refer to Canaco's press release dated January 6, 2011).

The transaction will include the transfer of Canaco's 70% interest in Harvest Mining PLC, which owns the Harvest Project, to Tigray, along with 18 months' working capital and sufficient funds to conduct the recommended first phase drill program (approximately \$4 million). Canaco intends to distribute 100% of the common shares of Tigray it receives to Canaco shareholders on a pro rata basis (the 'Spin-Out Transaction'). It is expected Tigray will apply for a listing on the TSX Venture Exchange on completion of the Spin-Out Transaction, anticipated to close by the end of June 2011.

The Arrangement will be subject to TSX Venture Exchange, regulatory and court approval, as well as shareholder approval by not less than two-thirds of the votes cast at the special meeting (the 'Meeting') of Canaco shareholders, scheduled for June 24, 2011. Full details of the Spin-Out Transaction will be included in the management information circular to be sent to Canaco shareholders in connection with the Meeting.

Canaco shareholders will be entitled to receive one common share of Tigray for every five common shares of Canaco held as of the effective date of the Arrangement, expected to be on or about June 28, 2011. No Canaco options or warrants will entitle the holders to receive any shares or other convertible securities of Tigray, except to the extent such holders exercise such options or warrants, as the case may be, to acquire common shares of Canaco prior to the effective date of the Arrangement. There will be no change in shareholders' holdings in Canaco as a result of the Arrangement.

The Harvest Project is located in the southern extension of the Arabian-Nubian Shield tectonic assemblage that stretches southward from Eritrea. This belt of rocks hosts a number of significant VMS mineral systems including Bisha and the deposits of the Asmara district (including Emba Derho, Debarwa, and Adi Nefas). The Harvest area is interpreted to lie within the prospective southern extension of the tectonostratigraphic belt hosting the Asmara deposits. These deposits characteristically comprise copper and zinc-bearing sulfide VMS mineralization that also contains significant gold and silver. The gold is typically enriched in an oxide cap (typically leached of copper and zinc). Copper, zinc and gold are also enriched in a supergene zone underlying the oxide horizon. The results of surficial sampling, as well as trench and diamond drill exploration, demonstrate that the geologic features and surficial metal enrichment at the Harvest Project exhibit similar characteristics to those of the VMS mineral systems such as Bisha identified in Eritrea.

Canaco President and CEO Andrew Lee Smith said: 'The spin-out of Tigray will expose existing Canaco shareholders to significant growth as exploration advances in Ethiopia. It will also allow the Company to continue to dedicate its resources to the exploration and development of the Handeni Gold Project in Tanzania. Based on the due diligence drilling completed in 2010, we are confident the Harvest Project hosts potential for the discovery of large, near-surface, gold-enriched polymetallic VMS deposits. We expect Tigray will become a platform for other exploration projects in the region and that it will provide shareholders with an attractive investment opportunity in the emerging Ethiopian mining sector.'

On completion of the Arrangement, Tigray's initial mandate at the Harvest Project will be to complete geological, geochemical and geophysical profiling to establish targets for continued drill testing. An 11,000-metre first phase diamond drill program is planned for the Terakimti and Nesafit concessions, with an additional 3,000 metres follow-up drilling.

The board of directors of Tigray will initially comprise all of the directors of Canaco. The management team of Tigray will consist of Andrew Lee Smith as President and Chief Executive Officer, Jeff Heidema as Vice President Exploration, and Shannon Ross as Chief Financial Officer. As Tigray advances, there will be additions to the board and senior management team to expand Tigray's Ethiopian presence.

The acquisition of Canaco's 70% interest in Harvest Mining PLC remains subject to the delivery of remaining closing documents and receipt of final acceptance from the TSX Venture Exchange.

The securities offered have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the 'U.S. Securities Act') or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## **Quality Control**

The planning, execution and monitoring of Canaco's quality control programs at the Harvest project are under the supervision of Jeff Heidema, P.Geo, Canaco's Vice President Exploration, and Dr. David Groves, Canaco's Director of Project Development. Mr. Heidema and Dr. Groves are qualified persons as defined by National Instrument 43-101. Canaco utilizes an industry standard QA/QC protocol with respect to sampling procedures. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance, and duplicates of pulps and bulk rejects are also used to monitor laboratory performance.

Additional information and public documents about Canaco, including a complete list of drill hole intercepts and drill collar maps, can be viewed at the Company's website at [www.canaco.ca](http://www.canaco.ca) or at [www.sedar.com](http://www.sedar.com).

## **About Canaco**

Canaco is a Vancouver-based mineral exploration company focused on advanced exploration in Africa. Built on a foundation of experienced management and focused on rapidly advancing exploration projects in Tanzania and Ethiopia, Canaco believes it is well positioned to build shareholder value through discovery and resource development.

Canaco's shares trade on the TSX Venture Exchange under the symbol CAN.

On behalf of the Board of Directors:

Andrew Lee Smith, P.Geo.  
President, CEO and Director

## **Cautionary Statement Regarding Forward-Looking Information**

*This news release contains 'forward-looking information' within the meaning of applicable Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as 'anticipate', 'believe', 'plan', 'expect', 'intend', 'estimate', 'forecast', 'project', 'budget', 'schedule', 'may', 'will', 'could', 'might', 'should' or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company's projections and estimates; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of diminishing quantities of grades of reserves; contests over title to properties; and changes in project parameters as plans continue to be refined, as well as those risk factors set out in the Company's annual*

information form for the financial year ended June 30, 2010 and the Company's short form prospectus dated March 15, 2011.

*Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the price of gold; the demand for gold; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; and the regulatory framework regarding environmental matters, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information that is included herein, except in accordance with applicable securities laws.*

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.*

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