

# Commonwealth Silver to Acquire Mexican Hat Project in Cochise County, Arizona through RTO With Auracle Resources Ltd.

12.10.2012 | [Marketwired](#)

TORONTO and VANCOUVER - Oct. 12, 2012 - [Commonwealth Silver and Gold Mining Inc.](#), a privately-held Canadian company ("Commonwealth Silver") and [Auracle Resources Ltd.](#) (TSX VENTURE:AAL) ("Auracle"), are pleased to announce that they have entered into a binding Letter Agreement dated October 9, 2012 (the "Agreement") with respect to a proposed business combination (the "Transaction") which adds the Mexican Hat gold project to the advanced-stage Commonwealth silver and gold Project, along with the Blue Jeep, San Ignacio and Six Mile Hill exploration properties in Cochise County, southeast Arizona.

The addition of Mexican Hat, located only 5 miles south of the Commonwealth Project further consolidates the historic Pearce mining district under one entity and provides the potential for significant mineral resource expansion at the overall project which will now encompass over 5,000 acres of mineral rights.

## Highlights of the Combined Company

- National Instrument 43-101 ("NI 43-101") compliant mineral resource estimate at the past-producing Commonwealth Mine of 39,829,000 silver-equivalent ("AgEq") ounces in an indicated category (17.6 million tonnes grading 0.51 g/t Au and 43.75 g/t Ag) and 1,818,000 AgEq ounces in an inferred category (1.1 million tonnes grading 0.31 g/t Au and 35.74 g/t Ag) using a silver equivalent ratio of 52:1 at a 26.0 g/t AgEq cut-off;
- Synergies in Arizona including access to Commonwealth Silver's dedicated and highly trained exploration team which will assist in establishing an initial NI 43-101 compliant mineral resource estimate on the nearby Mexican Hat gold project;
- Potential to grow a district-scale Project centered around the past-producing Commonwealth Mine;
- Well diversified and strong shareholder base providing enhanced market liquidity for shareholders and, accordingly, a greater ability to attract capital. On a post-Transaction, pre-Financing basis, significant shareholders of Amalco will include Eric Sprott (7.8%), Pinetree Resource Partnership (7.11%), Coeur d'Alene (5.7%), Elgin (5.2%) and Wexford Capital (4.27%);
- Strong post-financing balance sheet enabling successful execution of initiatives aimed at growing shareholder value;
- Elimination of Auracle general and administrative expenses; and
- Enhanced market presence.

## Transaction Structure and Terms

Under the terms of the Transaction, Commonwealth Silver and Auracle will amalgamate to form a new corporation ("Amalco") which shall be named Commonwealth Silver and Gold Mining Inc., headquartered in Toronto. Commonwealth Silver shareholders will receive one share of Amalco for each share of Commonwealth Silver currently held. Auracle shareholders will receive one share of Amalco for each 6.4 shares currently held of Auracle (the "Exchange Ratio"). The 3,562,416 common shares of Auracle currently held by Commonwealth Silver, representing 8.92% of Auracle's issued and outstanding common shares will be cancelled. Following this cancellation, on a post-Transaction, pre-Financing basis, Amalco will have approximately 35,158,411 shares outstanding. Existing Commonwealth Silver and Auracle shareholders will own approximately 83.8% and 16.2% of Amalco, respectively. The Transaction is therefore expected to constitute a reverse takeover of Auracle by Commonwealth Silver and is considered arm's length.

In addition to the 8.92% of Auracle shares owned by Commonwealth Silver, Elgin Mining Inc. ("Elgin"), which owns 11,800,000 shares of Auracle representing 29.53% of Auracle's issued and outstanding common shares, has signed a lock-up agreement in support of the Transaction. Elgin will own 1,843,750 common

shares of Amalco following completion of the Transaction. Directors and officers of Auracle have agreed to sign lock-up agreements in support of the Transaction under the terms of the Agreement.

### **Financing Plan and Valuation**

Commonwealth Silver intends to raise gross proceeds of \$5.0 to \$10.0 million through a unit financing by way of subscription receipts (the "Financing"). Units will be priced at \$1.00. Each unit is comprised of one common share and one half of a common share purchase warrant. Each full warrant will entitle the holder to purchase an additional common share at \$1.30 for a period of 18 months from the closing date of the Transaction. Proceeds from the Financing will be held in escrow until completion of the Transaction and must be a minimum of \$5.0 million under the terms of the Agreement. Commonwealth Silver has engaged Casimir Capital Ltd. and M Partners Inc. as agents to co-lead the Financing. In addition, a Finder Agreement has been signed with Sprott Private Wealth LP in connection with the Financing. A cash commission of 6% of the gross proceeds raised will be paid and broker's warrants of 7% of the number of units sold will be issued upon completion of the Transaction. The pricing and terms of the Financing are on the same basis as the \$425,600 financing completed June 29, 2012 with Sprott Private Wealth LP and the \$2.0 million strategic investment completed on August 21, 2012 by Coeur d'Alene Mines Corporation ("Coeur d'Alene"). Valuing the common shares of Commonwealth Silver at \$1.00 per share and based on the Exchange Ratio, values common shares of Auracle at \$0.15625 per share or a 56.25% premium over the price at which Auracle recently completed a 6,598,000 unit financing at \$0.10 per unit.

The gross proceeds raised from the financing will be used for advancing the Commonwealth Project towards development including expanding the existing NI 43-101 mineral resource estimate, exploration work on the Mexican Hat, Blue Jeep and San Ignacio properties with the goal of establishing initial NI 43-101 mineral resource estimates on those properties, further property acquisitions and working capital.

### **Management and Directors**

Upon completion of the Transaction, executive management of Amalco will consist of the existing management of Commonwealth Silver, namely Michael H. Farrant, President and Chief Executive Officer, Hall Stewart, Vice President, Exploration, Gwen Gareau, Chief Financial Officer and Corporate Secretary, Donald Greco, Vice President, Corporate Development and Katrin Tosine, Vice President, Investor Relations. Robin Forshaw, President and Chief Executive Officer of Auracle will remain with Amalco in a consulting capacity for a period of six months following the closing of the Transaction to assist with the integration of the Mexican Hat gold project. The Board of Directors will be comprised of seven directors being the existing six directors of Commonwealth Silver, namely Michael H. Farrant, Hall Stewart, Daniella Dimitrov, Julian Kemp, Thomas Rinaldi and Robert Hatch along with Jason Leikam, an existing director of Auracle.

Michael H. Farrant, President and Chief Executive Officer of Commonwealth Silver commented, "We are delighted with the announcement of the business combination with Auracle. We believe that the acquisition of the Mexican Hat gold property delivers on our strategy, as stated from day one, to consolidate the known gold and silver properties within the historic Pearce mining district in Cochise County, Arizona into a single district scale project providing economies of scale and significant synergies for future mineral resource expansion and mine development. We also believe this Transaction represents significant value for Commonwealth Silver and Auracle shareholders by combining Commonwealth Silver's proven track record of success in exploration and raising capital with a known gold asset only five miles south of the Commonwealth Project. In what has been a difficult market environment, this Transaction will also rationalize general and administrative costs to ensure that a greater proportion of the proceeds raised from shareholders goes into the ground and will represent a going public transaction for the shareholders of Commonwealth Silver. We believe that our decision earlier this year to delay our Initial Public Offering allowed us to navigate more effectively through a period of significant market volatility allowing us to secure a strategic investment by Coeur d'Alene for \$2.0 million at \$1.00 per unit, paving the way for the successful acquisition of the Mexican Hat asset."

Robin Forshaw, President and Chief Executive Officer of Auracle added, "We believe that this business combination will be accretive to both companies as the potential of Auracle's Mexican Hat project is combined with existing estimated mineral resources at the Commonwealth Project, a stronger balance sheet and an excellent team of people capable of advancing a district scale asset."

### **Benefits of the Transaction for Auracle Shareholders**

- 56.25% premium over price at which Auracle completed its recent financing at \$0.10 per unit;

- Provides access to advanced stage Commonwealth Project with an existing NI 43-101 mineral resource estimate located in the same jurisdiction as the Mexican Hat project;
- Diversifies exploration and development risk amongst multiple projects including the past producing Commonwealth Mine, Mexican Hat, Blue Jeep and San Ignacio exploration properties;
- Allows for operating and administrative synergies within southeast Arizona;
- Delivers strong and committed shareholder base that significantly improves capital structure;
- Provides access to Commonwealth Silver's highly experienced management team and directors; and
- Improves market presence.

### **Benefits of the Transaction for Commonwealth Silver Shareholders**

- Private shareholdings become public, providing shareholders with market liquidity in a TSX or TSX Venture listed entity;
- Adds the Mexican Hat gold project providing significant potential to establish a gold mineral resource estimate within 5 miles of the Commonwealth silver and gold Project;
- Increases ability to raise capital necessary to advance the combined property portfolio and advance growth strategies; and
- Improves market presence.

### **Further Transaction Details**

The Agreement provides that Commonwealth Silver and Auracle will negotiate and enter into an amalgamation agreement. Further details regarding the proposed business combination shall be provided in a joint information circular (the "Circular") which will be mailed to shareholders of Commonwealth Silver and Auracle in connection with Commonwealth Silver and Auracle's respective shareholders' meetings to approve the Transaction.

Closing of the Transaction, as contemplated by the Agreement, is subject to a number of conditions and approvals which include completion of the Financing on acceptable terms; the execution of a definitive agreement; approval of the respective shareholders of Commonwealth Silver and Auracle; court approval (if the Transaction is effected by way of plan of arrangement); and the approval of all relevant regulatory authorities and third parties including the TSX or TSX Venture Exchange. There can be no assurance that the Transaction or the Financing will be completed as proposed or at all. The Agreement provides for termination rights, including in the event the Transaction is not completed by January 31, 2013, unless extended by mutual agreement.

Investors are cautioned that, except as disclosed in the Circular to be prepared in connection with the transaction, any information released or received with respect to the reverse take-over may not be accurate or complete and should not be relied upon. Trading in the securities of Commonwealth Silver and Auracle should be considered highly speculative.

The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this news release.

### **Timing**

The parties expect to complete due diligence and sign an amalgamation agreement by October 31, 2012. It is expected that the Circular will be mailed in November 2012 with the special meetings of shareholders to be held in late December 2012 or January 2013. The Transaction is expected to close shortly thereafter.

### **Financial Advisors and Counsel**

Commonwealth Silver's legal counsel is Peterson Law Professional Corporation. Maitland & Company is acting as legal counsel to Auracle. Neither party has retained a financial advisor.

## Board of Directors' Recommendations

The directors of Auracle and Commonwealth Silver have unanimously supported the Transaction. Elgin, Auracle's largest shareholder owning 29.53% of Auracle, has entered into an agreement to vote in favour of the Transaction. The directors and officers of Auracle have also agreed to enter into such agreements.

The Agreement does not preclude either party from responding to a bona fide enquiry or proposal received from another party with respect to a potentially superior proposal. In certain circumstances, if a party terminates the Agreement or subsequently, the definitive agreement, to enter into an agreement to effect a business combination other than the Transaction or pursuant to a superior proposal, then such party is obligated to pay to the other party as a termination payment an aggregate amount equal to the lesser of \$75,000 or its costs incurred associated directly with the Transaction. Each party has also been provided with certain other rights, representations and warranties and covenants customary for a transaction of this nature and each party has the right to match competing offers made to the other party.

## Overview of Combined Assets

### Commonwealth Project

The Commonwealth Project is an advanced exploration development project located in the historic Pearce mining district in southeastern Arizona, approximately 120 km (75 miles) southeast of Tucson. From 1895 to 1942, the Commonwealth Mine produced approximately 12 million ounces of silver and 138,000 ounces of gold, making it Arizona's second largest historic primary silver producer. The two most important veins are the Main Vein and the North Vein. Between these two veins lies a wedge of volcanic rocks with well-developed quartz stockwork veining which is mineralized with silver and gold. The vein system has been mapped over 1 km of strike length and continues to the east under alluvial cover. Drilling has tested at least 800 meters of this strike length to a maximum depth of just over 200 meters. There is significant potential to find extensions to the known vein system both east, west and down dip. All the known veins in the district have a combined strike length of over 4.5 km.

The mineral resources for the Commonwealth silver and gold project have been estimated by SRK Consulting (U.S.), Inc. per an independent technical report prepared in accordance with NI 43-101 titled "NI 43-101 Technical Report on Resources - Commonwealth Silver and Gold Project, Cochise County, Arizona". The Report is dated March 15, 2012 and amended April 11, 2012, with an effective date of October 11, 2011. The mineral resources are estimated at 17.598 million tonnes grading an average of 0.51 g/t gold and 43.75 g/t silver classified as Indicated mineral resources with an additional 1.089 million tonnes grading an average of 0.31 g/t gold and 35.74 g/t silver classified as Inferred mineral resources. The resource is stated above a 26.0 g/t AgEq cut-off and confined to a pit shell defined by US\$19.50/t mining, processing and G&A cost.

### Mineral Resource Statement for the Commonwealth Silver-Gold Deposit, Cochise County, Arizona, SRK Consulting (Inc), October 6, 2011\*

Resource Category	Tonnes ('000)			Au		
Grade (g/t)	Ag					
Grade (g/t)	AgEq	Grade (g/t)	Contained Metal (Ounces)			
Au	Ag	AgEq				
Measured	0	0.00	0.00	0.00	0	0
Indicated	17,598	0.51	43.75	70.40	290,000	24,752,000
Measured + Indicated		17,598	0.51	43.75	70.40	290,000
Inferred	1,089	0.31	35.74	51.94	11,000	1,251,000

**\*Notes:**

1 Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves estimate.

2 Resources stated as contained within a potentially economically minable open pit stated above a 26.0 g/t Ag Equivalent cut-off.

3 Pit optimization is based on assumed gold and silver prices of US\$1,350/oz and US\$26.00/oz,

*respectively, metallurgical recoveries of 90% and 75% for gold and silver, respectively and a mining, processing and G&A cost of US\$19.50/t.*

*4 Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.*

*5 Mineral resource tonnage and grade are reported as diluted to reflect a potentially minable bench height of 3.0m.*

*6 Silver Equivalent stated using a ratio of 52:1 and ounces calculated using the following conversion rate: 1 troy ounce = 31.1035 grams. Metallurgical recoveries are not accounted for in the silver equivalent calculation.*

The mineral resources are reported in accordance with Canadian Securities Administrators ("CSA") NI 43-101 and have been classified in accordance with standards as defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") "CIM Definition Standards - For Mineral Resources and Mineral Reserves".

The technical information in this news release related to Commonwealth Silver has been reviewed and approved by Mr. Hall Stewart, B.Sc., C.P.G., R.G., Commonwealth Silver's Vice President, Exploration and a Qualified Person as defined under NI 43-101.

Commonwealth Silver currently has an option to acquire an 88% interest in eight (8) patented mining claims hosting the historic Commonwealth Mine and 100% of the mineral rights on ten (10) adjoining unpatented mining claims. These claims are subject to a 2% net smelter return royalty, up to half of which can be bought back for a total of US\$2.0 million, in two 0.5% increments of US\$1.0 million each. In June 2011, the Company completed the purchase of an additional 10% interest in the eight (8) patented mining claims bringing the Company's interest in these claims to 98%. There is no royalty on the additional 10%.

The initial mineral resource estimate was calculated from 155 historic drill holes totalling 15,672 meters, 209 channel sample lines and a 16-hole, 2,003 meter diamond drilling program conducted by Commonwealth Silver from April to June 2011. On November 21, 2011, the Company commenced a Phase II, 35-hole, 5,000 meter diamond drilling program which was completed in April 2012. Assay results for the drilling program were released on June 4, 2012 and will be incorporated into the next calculation of the mineral resource estimate.

### **Blue Jeep, San Ignacio and Six Mile Hill Properties**

The Blue Jeep, San Ignacio and Six Mile Hill properties surround the historic Commonwealth Mine near Pearce, Arizona. The Blue Jeep property is located approximately 2 miles east of the Commonwealth Mine and consists of ten (10) contiguous mining claims known as Blue Jeep 1 through 9 and the Brindle Steer. The San Ignacio property is located approximately 1 mile east of the Commonwealth Mine and consists of eighteen (18) mining claims known as San Ignacio 1 through 18. The Six Mile Hill property is located approximately 1 mile west of the Commonwealth Mine and consists of six (6) mining claims known as San Ramon 1 through 6. From 1983 to 1985 the properties were explored by Santa Fe Mining, Inc.. ("Santa Fe"). Santa Fe completed exploration work including soil and geophysical surveys and various drill programs. Limited drilling was performed on the Six Mile Hill property while more extensive exploration was completed on the Blue Jeep and San Ignacio properties.

At Blue Jeep, high level, silver dominant, low sulfidation epithermal mineralization is emplaced in a series of rhyolite flow domes and into the surrounding Cretaceous Bisbee Group limestones and calcareous sandstones. Some structural control may be provided by a west-northwest striking southwest dipping shear zone intruded by fluorite veins. Favorable portions of the flows have previously been described as "green rhyolite" for the grey-green colour of the rock's groundmass when mineralized. Commonwealth Silver interprets the mineralization at Blue Jeep to be directly related to the emplacement of the rhyolite flow dome complex. Future exploration work will first map and then drill zones of structural control in favorable host-rock settings where significant mineralized bodies may have formed. In 1983 and 1984 Santa Fe drilled 49 reverse circulation holes at Blue Jeep.

At San Ignacio rhyolite flow-domes similar to those at Blue Jeep are cut by WNW striking SW dipping quartz calcite veins mineralized with gold and silver. Santa Fe drilled 6 holes at San Ignacio in 1983 and 1984. Results show a broad mineralized zone characterized by dense quartz-calcite stockwork and silicification.

Six Mile Hill is underlain by felsic ignimbrites correlative with the Mexican Upper Volcanic Supergroup. Large

areas of dense silicification and banded chalcedonic quartz veining cut the hill in structures oriented nearly east-west strike and steep southwest dips, similar to veins at the Commonwealth mine one mile to the east. The vein textures are interpreted to represent very high-level exposures in an epithermal precious metals system. There is good potential for large bodies of precious metals mineralization at depth. Santa Fe is reported to have drilled at least two holes at Six Mile Hill, but Commonwealth Silver does not have the results of these drill holes.

### **Mexican Hat Property**

Auracle holds an option to earn a 100% interest in the 1,351 hectare Mexican Hat project, located in Cochise County, Arizona. Mexican Hat is a low sulphidation epithermal lode gold occurrence. Mineralization occurs in an apparently conformable package of Tertiary age volcanic rocks. Mineralization is generally structurally controlled and occurs in silicified fault zones, shears and pipe-like breccias commonly found in the immediate area. Mineralization consists of free gold with pyrite. Most of the pyrite has been oxidized, leaving limonite, hematite, and goethite. Increases in fracture density usually result in increased gold grades as well as the pyrite oxidation products.

The Mexican Hat property and immediately adjacent areas previously received considerable exploration by companies such as Placer Dome Inc. ("Placer Dome") and Santa Fe. During that time, the property ownership was fragmented between various companies. This negated any ability to conduct comprehensive, project-wide exploration programs. During the early 1990's, Placer Dome drilled approximately 19,000 meters specifically on the Mexican Hat feature and Santa Fe drilled approximately 3,800 meters in adjacent areas. The only resource estimate completed from this work was calculated by Placer Dome. Placer Dome reported an estimated mineral resource in excess of 300,000 ounces gold averaging 1.2 g/t Au. This estimate predates NI 43-101 and therefore does not conform to current standards for reporting purposes. These estimates should not be relied upon until they have been verified by further due diligence and by Commonwealth Silver's "Qualified Person". Placer Dome reports also include bottle roll cyanide leach tests that returned 93% recoveries with low acid and lime consumption rates.

From October 2011 to March 2012, Auracle conducted a Phase I, 19-hole, 3,200 meter diamond drilling program. Assay results for the drilling program were released on January 22, 2012 and March 27, 2012. These include 84.90 meters grading 1.76 g/t Au in hole MH 11-002, 4.48 meters grading 138.30 g/t Au in hole MH 11-003 and 5.18 meters grading 13.40 g/t Au in hole MH 11-007. Assay results in and around the historic resource area as well as areas up to 150 meters east and up to 1,000 meters south indicated the presence of gold mineralization. The potential for further mineralization remains open to the south and down dip as well as near old workings up to 2.5 km south of Mexican Hat.

The technical information in this news release related to Mexican Hat has been reviewed and approved by Mr. George Nicholson, P.Geo., a Director of Auracle and a Qualified Person as defined under NI 43-101.

### **About Commonwealth Silver and Auracle**

For further information on Commonwealth Silver, please visit Commonwealth Silver's website at [www.commonwealthsilver.ca](http://www.commonwealthsilver.ca). For further information on Auracle, please visit Auracle's website at [www.auracleresources.com](http://www.auracleresources.com). The Commonwealth Silver and Auracle business combination presentation will be available on the homepage of both companies' websites in due course.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

*This news release contains certain "forward-looking information" under Canadian securities laws. All statements that address future plans, activities, events or developments that the Company believes, expects or anticipates will or may occur are forward-looking information. This can include, but is not limited to, comments regarding the proposed transaction and Commonwealth Silver or Auracle or Amalco's future financial or operating performance, sizing and pricing of the proposed financing, completion of the offering, TSX or TSX Venture approval for listing, the use of proceeds, timing and expectations for finalizing agreements, timing and content of upcoming work programs, geological interpretations, receipt of property titles, potential mineral recovery processes, extent of potential mineralization etc. Forward-looking information addresses future events and conditions and therefore involves inherent risks and uncertainties. There can be no assurance that outcomes anticipated in the forward-looking information will occur and actual results may differ materially from those currently anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Neither Commonwealth Silver nor Auracle undertake any obligation to update publicly or otherwise any forward-looking information, except as may be required by law.*

*This news release and the information contained herein does not constitute an offer of securities for sale in the United States and securities may not be offered or sold in the United States absent registration or exemption from registration.*

*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.*

**NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES OF AMERICA. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAWS.**

## Contact

### [Commonwealth Silver and Gold Mining Inc.](#)

Michael H. Farrant, President & CEO  
416.278.4149  
[www.commonwealthsilver.ca](http://www.commonwealthsilver.ca)

### [Auracle Resources Ltd.](#)

Robin Forshaw, President & CEO  
604.682.3131  
[www.auracleresources.com](http://www.auracleresources.com)

---

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/135023--Commonwealth-Silver-to-Acquire-Mexican-Hat-Project-in-Cochise-County-Arizona-through-RTO-With-Auracle-Res>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

---

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!  
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).