

Touchstone Gold Limited Signs Agreement to Acquire El Cinco Property

17.10.2012 | [CNW](#)

El Cinco deposit adjacent to Touchstone's Segovia project

LONDON, Oct. 17, 2012 - [Touchstone Gold Limited](#) ("Touchstone") (AIM: TGL) is pleased to announce that it has signed an agreement to indirectly acquire (the "Acquisition"), through the Colombian branch ("Touchstone Colombia") of a wholly owned subsidiary, a 60% interest in the El Cinco property from its existing owner (the "Vendor"). The Acquisition adds a key property to Touchstone's asset base, which is located directly to the south of the 1141 Zone at Rio Pescado (see location of the combined asset in Figure 1).

Highlights:

- 17km sq increase in Touchstone's Segovia Gold Project (which includes Rio Pescado, San Miguel, and Frontino Norte) along the Segovia-Remedios Gold Belt
- Combined asset to include over 15km of prospective strike length where Touchstone has already reported encouraging high-grade drill results
 - selected results include 28.25m at 8.75 g/t Au (LPD - 1279), 16.8m at 8.7 g/t Au (LPD - 1286), 21.75m at 5.84 g/t Au (LDP - 1159) and 8.4m at 14.0 g/t Au (LPD - 1124)
- High Grade gold mineralization and geology identified within the 1141 Zone at Rio Pescado known to extend south onto the El Cinco property
- Geochemical and geophysical anomalies open to the south and along trend onto El Cinco ground
- El Cinco to be one of the primary areas of focus for Touchstone's stage 4, 20,000m to 25,000m, drill programme in Q4 2012 - Q4 2013
- C\$1,000,000 total consideration for the Acquisition, which will be satisfied through the issue of C \$750,000 of Touchstone common shares (the "New Shares") and the issue to the Vendor of a C\$250,000 principal amount convertible unsecured promissory note (the "Note").

David Wiley, the Chief Executive Officer of Touchstone, commented "The acquisition of the strategically important El Cinco deposit marks a major step for Touchstone, in our strategy of growing our resource potential through acquisitions as well as intensive drilling. Not only does this further consolidate our position along the Segovia-Remedios Gold Belt, it also adds a key component for our upcoming stage 4, 20,000m to 25,000m drill programme. The projected strike of the high-grade gold mineralization we discovered at 1141 during our stage 3 drill programme extends directly onto the El Cinco ground, creating what we expect will be a significant, continuous high grade mineralized zone. This transaction greatly enhances our ability to deliver on our goal of creating a substantial, Colombia focused, exploration, development, and production company and we look forward to updating the market on our on-going drill programme in this exciting area."

Furthermore, favorable gold soil geochemical anomalies obtained at Rio Pescado Project remain open to the south and along trend onto El Cinco. In addition, ground induced polarization (IP) and ground magnetic anomalies obtained in 2011 and 2012 remain open to the south, and similarly to the open ended soil geochemical anomalies, continue southward onto the El Cinco ground. In addition recent reconnaissance along trend from the 1141 Zone onto the El Cinco ground identified a number of previously unreported adits and trenches.

About Touchstone

Touchstone is a gold exploration company and its primary assets, which collectively comprise its Segovia Gold Project, are the Rio Pescado, San Miguel, and Frontino Norte properties along the Segovia-Remedios Gold Belt in Colombia. Rio Pescado is comprised of four mining concessions, the San Miguel property is

comprised of one mining concession and one proposed mining concession, and the Frontino Norte property is comprised of four mining concessions and one proposed mining concession. Touchstone owns further options on the Santa Rosa Project, in the South Bolivar area of Colombia, comprised of four proposed mining concessions and one mining concession. With a philosophy of creating value by the systematic exploration and development of Touchstone's existing assets as well as the acquisition of suitable exploration and development mineral projects, Touchstone's long-term intention is to build a significant gold exploration and production company.

Agreement

The Acquisition will be carried out pursuant to a purchase and assignment agreement (the "Agreement") entered into among Touchstone, Touchstone Colombia and the Vendor. As consideration for the Acquisition, Touchstone will issue to the Vendor the New Shares and the Note. The number of New Shares to be issued by Touchstone will be determined by dividing C\$750,000 by the volume weighted average trading price of Touchstone common shares (converted into Canadian dollars in accordance with the Agreement) over the 20 trading days prior to the date on which application is made to the AIM market of the London Stock Exchange (the "AIM") for the New Shares to be admitted to trading; which is anticipated to occur on or around 19 October, 2012. It is anticipated that trading in the New Shares will commence on or around 2 November, 2012.

The Note shall be payable upon written demand made at any time after 15 December, 2012. Commencing on 16 December, 2012 Touchstone shall pay interest at the rate of 10% per annum, payable quarterly in arrears. If the principal or any portion of it remains unpaid as of 15 March, 2013, the Vendor shall have the right to convert unpaid principal and interest into that number of common shares of Touchstone equal to C\$350,000 divided by the 20 day volume weighted average of the trading price of the Touchstone common shares on the AIM preceding the date the conversion notice is given converted into Canadian dollars in accordance with the Agreement.

Touchstone's Board of Directors has concluded that the Acquisition is in the best interests of the company and has unanimously approved the terms of the Acquisition.

The Agreement is subject to various conditions and closing is expected to occur on or around 2 November, 2012.

This news release has been prepared under the supervision of, and approved by, John Nicholson, P.Geo., B.Sc., who is a "qualified person" as defined under National Instrument 43-101. Mr. Nicholson serves as the Chief Geologist of Touchstone. For additional details with respect to the drilling results and mineralization contained herein, please see Touchstone's technical report entitled "Technical Report on the Rio Pescado Gold Property, Republic of Colombia" dated June 30, 2012 and prepared by Peter A. Christopher, PhD., P.Eng., which is available under Touchstone's profile on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

Certain information set forth in this press release contains "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking information which includes the completion of the Acquisition, the drill program and management's assessment of Touchstone's future plans and operations and are based on Touchstone's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking information may be identified by words such as "expects" "anticipates", "believes", "projects", "plans", and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking information may necessarily involve known and unknown risks and uncertainties, which may cause Touchstone's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: liabilities inherent in mine development and production; geological, mining and processing technical problems; Touchstone's inability to obtain required mine licenses, mine permits and regulatory approvals required in connection with mining and mineral processing operations; competition for, among other things, capital, acquisitions of resources and reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; currency and interest rate fluctuations; various events which could disrupt exploration and development, including labour stoppages and severe weather conditions; and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Touchstone undertakes no obligation to update

forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.

Image with caption: "Figure 1. Touchstone and El Cinco Combined Property Location (CNW Group/Touchstone Gold Limited)". Image available at:
http://photos.newswire.ca/images/download/20121017_C7635_PHOTO_EN_19481.jpg

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/136788--Touchstone-Gold-Limited-Signs-Agreement-to-Acquire-El-Cinco-Property.html>

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