

Otso Gold Corporation: Shareholder Update

12.06.2020 | [The Newswire](#)

June 12, 2020 - [Otso Gold Corp.](#) ("Otso" or the "Company"), (TSXV:OTSO) is pleased to release the following Shareholders' Letter.

Dear Shareholders,

In these uncertain times in the global markets and the world, the Company has made, in management's view, significant progress and believes that the Company is well positioned to leverage the favourable gold environment. In light of the Company's progress, we believed it would be prudent to provide this corporate update.

COVID-19 Update

The Company is pleased to announce that no staff members throughout our operations have contracted the COVID-19 virus. We have taken recommended precautions throughout our operations and have reduced our on-site staff complement to essential employees required for regulatory purposes and for the maintenance and support of continued operations. The safety and well-being of our staff, their families and the community is the Company's first priority.

Corporate Update

As previously announced on May 12, 2020, the Company has executed an investment agreement (the "Investment Agreement") with Alumina Partners (Ontario) Ltd. ("Alumina Partners"). Under the terms of the Investment Agreement, the Company can access, subject to mutual agreement on terms, up to \$8 million in equity funding.

The Company has closed an initial \$200,000 tranche with funds received pursuant to the Investment Agreement and an additional \$100,000 from other arm's length subscribers. Accordingly, the Company has issued 5,000,001 units (the "Units") at \$0.06 per Unit. Each Unit is comprised of one common share (each a "Common Share") and one common share purchase warrant (each a "Warrant"). Each Warrant is exercisable into one further Common Share at a price of \$0.096 per share for a period of 60 months. In connection with this offering, the Units bear a four month a one day resale restriction.

Finders fees of \$5,000 were paid and 83,333 finders warrants (having the same terms as the Warrants described above) were issued in connection with the offering, none of which was paid in relation to the Alumina funding.

The Company believes that Alumina Partners' participation is demonstrative of institutional confidence in the Company's management team and the fundamentals of the Otso Gold Mine project (the "Project"). The Investment Agreement provides the Company with both a stand-by liquidity facility, a particularly important achievement in the current global climate, and flexibility in capital raising. As previously announced, the Company is focused on a holistic solution comprising both debt and equity financing with a view to minimizing dilution and maximizing shareholder value by returning the mine to production. The Company will therefore only draw down funds to maintain and progress operations while we finalise a holistic solution.

Since the last shareholders' letter, PFL Raahe Holdings LP ("Pandion") participated in the Company's (see press release of March 27, 2020) issuance of \$3,737,000 10% unsecured convertible debentures. The Company thanks Pandion for its continued confidence and support of both the Company and the Lionsbridge management team.

We are continuing to progress longer-term financing solutions leveraging the Company's Project and its

2,000,000 tonnes per annum processing plant and related infrastructure. While our capital raising has been delayed by the COVID-19 crisis, we remain confident that we will finalize a largely debt-based solution to provide the Company with the necessary funds to return the Otso Gold Mine to gold production.

In other news, the Company has recently appointed a Canadian-based Chief Financial Officer, Mark Gelmon, who has significant experience with publicly traded mining companies with international subsidiaries and being a member of a management team focused on returning a mine to production and implementing industry specific best practices.

The Company has also recently appointed Christopher Towsey to serve as an independent board member. Chris brings significant additional expertise as a geologist with extensive experience and further independence and transparency to the Board of Directors. In addition, the Company has appointed Thomas A. Fenton of Aird & Berlis LLP to act as Corporate Secretary.

Technical Update

In light of the current COVID-19 travel restrictions and social distancing requirements, the commencement of operations at the Otso Gold Mine in July 2020 will be delayed. Management continues to focus on an expedited restart assuming the necessary preparatory work can be completed. The latest anticipated restart date is April 1, 2021. Although the Company will try to expedite its restart date, it is mindful of not repeating the prior management's error of beginning mining without sufficient understanding of the mine plan and in the winter months.

The Company's immediate priorities include the completion of the infill definition diamond orientated drill program to define the mining blocks, the publishing of a second resource update and new feasibility study (as announced on May 26, 2020) and the completion of preparatory works for production. We currently have 778 samples ready to go for fire assay and ICP. We note that the drill program will continue following the completion of the feasibility study to ensure continual upgrading of the resource base.

As previously announced, the Company released (on November 27, 2019) a NI 43-101 technical report completed by Tetra Tech. The new feasibility study will be focused on leveraging the infill drill results for mine planning purposes. However, as stated in our announcement on May 26, 2020, we will use the new feasibility study to further optimize the performance of all aspects of the mine. Due to timing and capital constraints, the previous restart of the Otso Gold Mine (under prior management) did not utilize the significant instrumentation and controls available on site to manage the processing plant and operations. We see this as an important optimization step going forward.

As also previously announced, as part of the on-site restructuring, we have hired Peter Gilligan as a mine manager. Mr Gilligan has the necessary skills and experience to support the Lionsbridge management team on the path back to production. In addition to our focus on competent planning and mining, we are also focusing the Company's ethos on robust environmental, community, safety and health standards that meet or exceed industry best practices. Further, we have appointed Tiina Nelimarkka as the new Operational Health and Safety ("OHS") Manager for the Company. The Company has focused on ensuring that the positions of OHS Manager, Environmental Manager, Mine Manager and Community Relations Manager are filled as we build a mine culture during the ramp-up to production and to design and maintain best practice standards. The Environmental Manager, Riina Makela, currently manages the site ensuring the care and maintenance is carried out with a focus on environment, safety and health.

Options Grant

The Company has today issued 1,550,000 options under its stock option plan to directors, officers and other key employees. All options are exercisable at \$0.075 for five years. No additional options were issued to any member of the management team who received options in the past.

Disclosures

The technical disclosure in this news release has been reviewed and approved by EUR ING Andrew Carter BSc, CEng, MIMMM, MSAIMM, SME and a Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects.

The Company cautions that it has not defined or delineated any proven or probable reserves for the Project and mineralization estimates may therefore require adjustment or downward revision based upon further exploration or development work or actual production experience. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Company also cautions that the decision by the Company to develop the Project and extract mineralization proceeded without the Company first establishing reserves supported by a technical report and completing a pre-feasibility or feasibility study. Accordingly, there is a higher risk of technical and economic failure at Otso.

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About the Company

[Otso Gold Corp.](#) wholly owns the Otso Gold Mine near the town of Raahe in Finland. The Otso Gold Mine is developed, fully permitted, has all infrastructure in place, two open pits and is progressing towards production in 2020 to process ore at name plate capacity of 2 million tonnes per annum.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/353691--Otso-Gold-Corporation--Shareholder-Update.html>

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