

# Otso Gold Corp.: Shareholder Update

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Toronto, September 9, 2020 - [Otso Gold Corp.](#) ("Otso" or the "Company"), (TSXV:OTSO) is pleased to release the following Shareholders' Letter.

Dear Investors:

Please be advised that both the Company's annual audited financial statements and Management's Discussion and Analysis for the fiscal period ended January 31, 2020, and the unaudited interim financial statements and Management's Discussion and Analysis for the quarter ended 30 April 2020 have now been filed on SEDAR. The Company's accounts were delayed as a result of our change to new accountants on site with a view to bringing expertise and control through the accounts and resolve deficiencies in controls during the last restart attempt. The independent accountants were introduced on site to ensure transparency, complete accuracy and control on site. The delay was further exacerbated by the inability of new staff and management to complete site visits as a result of the COVID-19 pandemic. We are pleased to say that the restrictions appear to be loosening and we have been able to host site visits on site and expect management to be in a position to travel to site shortly.

The Company is no longer subject to a Cease Trade Order or Management Cease Trade Order and has been cleared by the TSX-V to resume trading on September 9, 2020.

As you are aware, Otso came under new management in July 2019. Our vision for the Company is long-term, sustainable production with world-leading safety, health and environmental practices. Over the past year, management has overcome significant obstacles including unforeseen creditors on site, the significant debt burden arising from the gold loan, lack of fit for purpose accounting systems on site, lack of technical knowledge, ongoing care and maintenance costs and a global pandemic.

Our strategy has been two-fold. We have managed the existing issues by working closely with creditors and lenders while simultaneously pouring effort into redeveloping the mine. We are performing the technical work and collecting the structural geological data required to maintain grade and achieve mill nameplate capacity of 2 million tonnes per annum. Twelve individual reports published since 2005 by leading mineral consultants worldwide have supported both the resources and economics.

Given the high gold price environment, it may be tempting to rush to restart without completing the necessary geology or preparatory works as has been the case in the past. However, our objective is to create a centre of value, generating enduring profits for shareholders at long-run average gold prices. We are confident this strategy will unlock the intrinsic value of the mine and the extensive exploratory potential of the asset.

Senior management has over 150 years combined experience in building, owning and operating mines globally. Our experience has instilled the importance of identifying and offsetting the key risks of mining projects before production begins to ensure sustainable long term cashflow. Otso is fully licensed, permitted and ready for production with EUR250 million expended on building and commissioning a premium quality mine and process plant. The mine has a proven metallurgical plant and two formerly productive open pits, significantly reducing restart costs.

The Company cautions that it has not defined or delineated any proven or probable reserves for its Otso Property 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 proceed to develop the Otso Mine 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 because development proceeded without first establishing reserves supported by a technical report and completing a feasibility study. This is particularly relevant as the Company has proceeded with development at Otso on indicated and inferred resources without first completing a preliminary economic report.

Finland is a world-class mining jurisdiction with low country risk. Otso offers shareholders a unique opportunity to participate in a rapid growth asset at a low entry price.

Since July 2019, Otso Gold has;

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  1. Renegotiated the CA\$71 million-dollar mark-to-market gold loan down to two non-interest-bearing payments of US\$11.5 million owed to Pandion Mine Finance. The payments are in lieu of the gold loan or any deliverables. Management also negotiated an additional US\$7 million investment by Pandion to repay creditors and maintain the asset that does not require payment or the issuance of equity. Additionally, Pandion invested US\$1.5 million in further working capital for the Company. The funds allowed the Company to close out significant creditors, support ongoing care and maintenance and on going preparatory works to allow for an expected April 2021 restart. The renegotiation of Pandion's debt allowed the Company to become a credible investment opportunity.
  2. Secured a CA\$8 million facility from Alumina Partners priced by mutual agreement and allocated in tranches. The focus of the Alumina facility is to minimise dilution while the Company finalises the larger funding whilst allowing the Company to support care and maintenance and the preparatory works.
  3. Launched a 10,000-metre infill drill program to confirm the structural geology and support the mine plan. The critical flaw of the 2017 restart was the lack of data regarding the structural geology, grade control and a detailed mine plan. Otso has reduced the wide-spaced drilling from 50 metres to 25 metres deploying NQ diamond and orientated core drilling to allow the lodes to be modelled in 3D. To date, some 1,900 metres has been completed with the remaining 8,100 metres scheduled for completion later this year. The infill drill program and consequent detailed mine plan are fundamental building blocks to achieve nameplate production and head grade.

Our team has been actively collaborating with former geologists and major mineral consultants who have worked on the mine over the past 15 years including, CSA Global, SRK, Boyd, RPM and Tetra Tech. Tetra Tech published an updated technical report under NI 43-101 and developed the infill drill program. The 1,900 metres of drilling was logged, and samples were sent for PAL assay in Finland to inform the drill plan; however, the Company has been delayed in completing the drill program by travel restrictions and capital conservation. The Company will restart drilling with an additional rig shortly. All the samples must still be sent for fire assay and ICP analysis. The tests will improve grade accuracy between 10 and 15 percent and provide an in-depth understanding of the mineralisation by assaying for 32 trace elements. No ICP analysis was undertaken by the Company prior to 2019. Currently, we have over 500 pulverised samples ready to be shipped to overseas laboratories as soon as possible.

The project now has, for the first time, a technical team with the expertise, knowledge and focus to properly mine the Otso Gold Mine.

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  4. Restructured the Company ensuring capital raised was most effectively allocated. While on care and maintenance, Otso reduced staff and energy costs, stabilised the mine, installed critical environmental monitoring systems, serviced the infrastructure and dealt with the hazardous chemicals left onsite.
  5. Over the year, senior management has built a strong working relationship with the Centre for Economic Development, Transport and Environment (ELY) to plan and gain permission to lift the tailings dam, extend the waste storage and upgrade the water storage dam. Aligning with our Company values, Otso has appointed a new safety manager to oversee the highest health and safety standards. Further, we have appointed a highly skilled environmental manager as the onsite mine manager to reflect our priorities during care and maintenance which are safety, compliance and environmental management.

3. 6.Strengthened corporate governance with the addition of another independent Board Member, Christopher Towsey. Mr. Towsey has over 40 years' experience as a mining and exploration geologist and company executive. The Board also replaced our former CFO with Mark Gelmon (CPA, CA) who is well-equipped to install advanced systems for accounting and payroll. Mark is based in Vancouver and has provided expertise to several TSX listed mining companies in the capacity of Director, CFO and consultant.
4. 7.Completed a comprehensive audit of all company accounts from 2015. During the January 2017 restart, an advanced accounting system was introduced. The program was poorly installed, and staff received limited training resulting in ongoing information and operational issues. Compounded by the tumultuous restart and mounting creditors, new management requested PricewaterhouseCoopers ("PwC"), the company's auditor, to review, test and resolve all matters regarding the accounts. The aim of the audit was to embed accounting and operational standards expected of a global, listed mining company. PwC Canada visited site in late 2019 to start the process. Thereafter, the global pandemic restricted access and moved all correspondence online between the auditors, management and the auditing committee, spread across three continents. In spite of the difficulties, the audit is now complete and Otso has built a strong, transparent foundation to move forward.
5. 8.Rebranded and refreshed the Company in the market. Otso has developed a strategy to achieve the intrinsic value of the asset grounded in progressing on site and working towards a sustainable long term gold producer. The Company draws over 80% of electricity from renewable sources, applies cutting-edge automatic environmental monitoring programs and operates within the some of the most progressive labour standards worldwide. The mine also operates with the highest quality equipment on market (Metso and Outotec). Positioning ourselves as a premium, emerging green gold producer futureproofs our project to align with transforming markets and community attitudes.

Moving forward, our key priorities are to:

1. 1.Execute another 4,100 metres of the drill program to release an updated resource statement and a new NI 43-101 feasibility to market by year's end. The new feasibility and detailed mine plan will use the 6,000 metres of new drilling to support the restart in Spring (April 2021). Infill drilling is scheduled to continue to update the resources for the future as the mineralisation is open to the south, on dip and strike of the existing pits with further three designated mining areas.

Our pathway to production is comprised of two updated resource statements and a new feasibility allowing shareholders the opportunity to participate in targeted short-term and long-term value creation. In the run up to production the Company plans to release drilling results as they become available - thereby gaining momentum towards nameplate production.

1. 2.Raise funds in tranches. The first tranche will complete the preparatory works, infill drilling and the feasibility. The second tranche will upgrade the infrastructure, recommission the mine and for working capital for production. Despite the travel restrictions, the Company has garnered significant interest from several parties across Europe, Canada and Australia, having received term sheets and hosted site visits. The Company is aiming to secure the first tranche of funding as soon as possible.

In summary, management has mobilised our experience in building, owning and operating mines globally to produce a strong knowledge base and ensure the operations, accounts and procedures are fundamentally robust to support a successful restart. Our data-driven approach protects investors from unnecessary risk and we expect will deliver stable, ongoing returns. We are committed to forging a new path for the asset that remains profitable regardless of fluctuating markets.

Thank you for your interest and we invite you to continue to support us to production in April 2021 and thereafter. In the interim, we will keep you updated on our progress.

Kind regards

"Brian Wesson"

President and CEO  
[Otso Gold Corp.](#)

#### 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.

For further information, please contact:

Clyde Wesson  
Vice President

info@otsogold.com  
www.otsogold.com

#### About the Company

[Otso Gold Corp.](#) wholly owns the Otso Gold Mine near the town of Raahe in Finland. The

Otso Gold Mine is fully built, fully permitted, has all infrastructure in place, two open pits

and is progressing towards a restart at 2 million tonnes per annum throughput.

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 release.

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