

Letter to Shareholders - August 16th, 2013

16.08.2013 | [vom Unternehmen](#)

August 16, 2013

Dear Shareholders:

We refer to our last letter to [Odin Mining and Exploration Ltd.](#) shareholders of June 13, 2013. It stated, that our expectation was that we would update you with fresh news within the following 30 days. We apologize that was not the case. We had expected useful additional data earlier than this date.

However, since June 13, we have taken feedback informally from representatives in Ecuador of a number of parties relevant to Odin interests, including representatives of the Ecuador Ministry of Non Renewable Resources ("MNRR"), (the Ministry responsible for the mining of all minerals in Ecuador, as well as oil and gas exploration and exploitation), and of independent mining companies based in Ecuador, (or in fact departing).

As you may be aware, a mining company has yet to have been formally announced as the approved purchaser of the Fruta Del Norte project from [Kinross Gold Corporation](#) ("Kinross"). This cloud of uncertainty has had a serious negative effect on any fund raising by other international listed junior mining companies, who might hope to continue to operate in Ecuador.

Consequently, given that our company has been present in Ecuador for some 30 years, and it is not our intention to withdraw, we have looked at possible funding from a number of other sources than from shareholders.

This includes revisiting extraction of relatively small amounts of near surface gold from our existing concessions, using alluvial based methodology. This would be either in joint venture or directly by Odin itself.

We are assessing the feasibility and cost effectiveness of generating sufficient funds in this manner. Such funds would be used to finance our own planned next stage exploration drilling.

As a company, we did fund ourselves successfully from proceeds of alluvial mining in Ecuador, from 1988 to 1997/1998. Our Executive Director in Ecuador is the same individual who oversaw these operations, so we have access to this expertise still.

We further have good reason to believe our concessions have real potential to host fresh alluvial operations without deleterious effect on long term commercial exploitation from our preferred areas. The best evidence of this is in the presence (currently) of an ever increasing number of substantial "informal" alluvial operations on rivers passing through our concessions.

However, it will be important to satisfy the relevant Ecuadorian authorities that any environmental damage, which may have already been caused by alluvial works of "independent informal" alluvial mining affecting our concessions, is not attributable to Odin. This is especially important if we should commence alluvial operations ourselves in areas near to existing informal workings out of our control.

We are also in the process of disposing to informal miners of one of our small concessions, Cangrejos 10, which we control in the North East Quadrant of Cangrejos. That area of approx. 70 Has is not contiguous to the largest block of concessions under our control. The total proceeds expected to be raised are US\$250,000.

The first payment of US\$125,000 has been received.

The second payment is due when the Mining Authority approves the transfer of our title to that single concession, which is in process.

Additionally, we have met our contractual obligations for the current annual payment due to Francisco Castro Sanchez, pursuant to the Agreement dated September 20, 2007. This Agreement is to develop and purchase those most important concessions adjacent to Odin's concessions in our preferred areas at Cangrejos. The next payment is due in July 2014. This relationship remains very solid.

Separately, some shareholders have asked for a simple explanation of our understanding of the status of

mining under the new mining rules introduced in Ecuador. Our understanding, and that of our local lawyers in Ecuador, is that mining is encouraged by the new rules as follows:

1) Small sized miners – those processing up to 300 tons a day for underground mining, or up to 1,000 tons per day for “open cut”, or up to 1,500 cubic meters per day for alluvial mining, (all tonnage being defined as plant capacity / processed materials).

A 3% royalty is payable to the Ecuadorian Government in arrears, every six months. There is no requirement of profit share with the Ecuadorian Government, otherwise.

2) Medium sized miners – 300 to 1,000 tons per day for underground mining, or from 1,000 to 2,000 tons per day for “open cut” methodology, or from 1,500 to 3,000 cubic meters per day for alluvial mining, (all tonnage being defined as plant capacity / processed materials)

A 4% royalty is payable in arrears, every six months.

Full environmental compliance is required, and a 50% total profit share must be contracted with the Ecuadorian Government (but all direct and indirect taxes and royalties so paid will be credited against the contractors obligation to share in total 50% of its overall operating profits with the Ecuadorian government).

3) Larger sized miners – A 5% to 8% royalty is payable, in arrears every six months, depending on a sliding scale of the gold price for that period, i.e. if gold goes up in sale price, so will the royalty, up to a maximum of 8%.

Additionally a “one off” substantial fixed amount is to be paid in advance on contract signing for exploitation (the amount will differ for each contract).

Credit for the “one off” fixed amount is to be given towards future royalty payments due by the company. This is credited at 50% each payment of the total royalty due each 6 months, and continues until the “one off” fixed amount has been fully credited against all due royalties.

A draft Agreement offered and negotiated with the Ecuador Government was declined by Kinross in June 2013. We understand it required a \$60M “one off” payment on signing.

Further, there will be 52% total profit share with the Ecuadorian Government, calculated as is the case, for medium sized miners.

Finally, a windfall tax is expected. This will include a reference to a certain future gold price, at which point profits will be shared with the Ecuadorian Government on a 70:30 basis, in its favour.

How this will work is not clear, as the strike price is supposed to be individually agreed, on the signing an exploitation Agreement. We understand that it is likely there will also be capex deduction permitted, and some form of inflation adjustment.

No agreement at this level has yet been signed, in Ecuador.

There is an ongoing requirement for full local environmental compliance – and with all other regulations from time to time.

We hope to provide more details for Shareholders in the near future, on any positive (or negative) developments in the business environment in Ecuador for exploration and / or exploitation.

Until then, we are reviewing all possible avenues to fund Odin's next near term drill program. We must first be of the view, in our own absolute discretion, after an anticipated a meeting with the relevant representatives of the Ministry of Non Renewable Resources, that the potential rewards of any new investment are worth the risk to be asked of shareholders, who may be prepared to provide additional funding, since any future internal sources of funding, (e.g. via alluvial extraction) will take at least 6 months to establish.

Odin enjoys in excess of US\$400,000 in cash and cash equivalents on a consolidated basis, as at the date of this letter.

Yours sincerely,

“Stephen Stow”
Stephen Stow, President and CEO

Odin Mining and Exploration Ltd.

Cautionary Statements:

We seek Safe Harbor.

Additionally, some of the statements contained in this release are "forward-looking statements" within the meaning of Canadian securities law requirements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements in this release include statements regarding monies to be received from the possible sale of a right to one or more of our fringe patente / concessions.

Factors that could cause actual results to differ materially from anticipated results include risks and uncertainties such as: the position of in Odin's view Ministry of Non Renewable Resources towards Odin operations, other risks and uncertainties detailed in the Company's Annual Information Form for the year ended December 31, 2012, which is available at www.sedar.com under the Company's name.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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