Alexandria Announces New Corporate Direction

06.06.2018 | GlobeNewswire

- *Exposes former CEO Eric Owens’ flawed drilling thesis and results*
- *Turns the page for investors with new corporate direction, including non-dilutive financings, re-focussing on core assets and new management team*

TORONTO, June 06, 2018 (GLOBE NEWSWIRE) -- Following the results announced today regarding the 2017 drilling plan at Alexandria Minerals Corp.’s (TSX-V:AZX) (OTCQB:ALXDF) (Frankfurt:A9D) (“AZX” or the “Company”) Orenada project undertaken under the direction of former CEO, Eric Owens, who was terminated for cause, the Company is announcing a new corporate direction to build value for all shareholders.

While the Company remains confident in its high-quality assets in some of the world’s most prolific mining districts, the Management Committee (the “Management Committee”) of the Board of Directors (the “Board”) has recently learned that Mr. Owens’ 2017 drilling program, aimed at evidencing a higher grade of gold than disclosed in the original 2009 NI 43-101 resource estimate, was flawed, and did not increase Alexandria’s resource estimates as Mr. Owens predicted.

Mr. Owens previously communicated to the market that the original resource could contain a medium to high-grade deposit. The results of the 2017 drilling program do not support this conclusion. The results of further drilling confirmed the previous grade estimates in the 2009 results. Actual resources fell due to changes in resource calculation parameters occurring since 2009.

In a press release dated August 2, 2017, Mr. Owens stated as follows:

“These latest high-grade gold assays continue to confirm our belief in the enormous exploration upside at our flagship property in this highly prolific mining region … We are very confident that our summer drill program will deliver further growth, contributing to a new resource estimate by the end of the year. Our expectation is that our new resource estimate will be more than double our existing resource estimate from 2009.”

Mr. Owens' stated expectation was not borne out by the results of the 2017 drilling program. The Board has learned that Mr. Owens’ drilling program was focused on identifying the presence of high-grade veins, rather than determining the overall grade of a potential low-grade bulk deposit already identified during the 2009 NI 43-101 resource estimate.

As is common, the Board expected accurate information from management and, after engaging in robust discussions and queries, relied on the information provided under Mr. Owens’ leadership. However, as the 2017 drilling results became available and management continued to focus on high grades of narrow veins, rather than the characteristics of the average grades on the envelopes surrounding the high-grade veins, the Board began to question Mr. Owens' thesis and request more information.

Prior to and following his termination as the Company’s CEO, Mr. Owens maintained that the results of the drilling program were in line with his expectations. When InnovExplo, the external NI 43-101 advisor, indicated preliminary results of the new NI 43-101 at a Board meeting on March 21, 2018, Mr. Owens asked that InnovExplo revise their geological model to assess the potential of the deposit as a bulk tonnage underground instead of an open pit operation. The Board agreed to Mr. Owens’ request that additional work be undertaken, despite the considerable additional costs and time required to change the models. After preliminary work, InnovExplo reported to Alexandria that the resources identified by revising the model as requested by Mr. Owens were not materially different than the original March results based on an open pit operation.

During the 2017 and 2018 fiscal years, after spending approximately $9.2 million on the ill-designed 2017 drill program and depleting Company resources, Mr. Owens proposed and began to carry out, without the Board’s authorization, a financing of over $20 million with massive dilution for existing long-term shareholders.

Mr. Owens signed two agency agreements to raise funds, without the Boards’ authorization, and accepted investors’ funds into his personal lawyers’ trust account. The proposed financing was solicited based on anticipated results of the 2017 drilling program that were not borne out.

Mr. Owens attempted to move forward with his ill-conceived and highly dilutive financing that was offered to friends of management and family members, rather than the current shareholders. According to the financial advisors to the Board’s Special Committee (the “Special Committee”), this financing, had it been implemented, would have diluted current shareholders by 55%.

As described in Alexandria’s February 22, 2018 press release, Mr. Owens was terminated for cause following an investigation into his conduct revealed he had pursued financing efforts after being directed to cease such activities, and after Mr. Owens failed to cooperate with the investigation authorized by the Board.

Mr. Owens’ conduct prior to and following his termination for cause has been disruptive to Alexandria and has impaired efforts to recruit new management and otherwise move forward for the benefit of all shareholders.

The Management Committee has concluded that, despite the results of the latest NI 43-101, the long-term value which Alexandria represents has not changed. The Company has a large land package in a promising area and Alexandria remains confident in the opportunities available to it.

A STRONG FOUNDATION FOR GROWTH

The Company’s asset base, in addition to the Orenada deposits, consists of a very large continuous land base along the Cadillac Break in the Val D’or area and adjacent to and contiguous with the Sigma-Lamaque-Triangle assets of Eldorado (Formerly Integra Gold). The Cadillac Break is one of Canada’s most prolific and well-known gold producing areas. There are a number of active targets on the Company’s land adjacent to areas on which other gold companies, specifically, Eldorado Gold Corp. and Agnico Eagle Mines Ltd. are working systematically on.

The ground also contains a number of targets with significant historical drill intercepts that have not been followed up, along with known major structural splays and corridors related to the Cadillac Break and the major gold deposits located in the Sigma-Lamaque area.

AZX has assets of significant value. Its core asset is the 35 km long land holding straddling the Cadillac Break running west to the airport of Val d`Or. It also has many non-core mineral assets in Ontario and Manitoba. In terms of potential liquidity, it has approximately 115 million of warrants.

OUR PATH FORWARD

Our corporate direction, moving forward, is threefold:

1. Fund the Company through available, non-dilutive measures: This would include selling non-core assets and commencing an accelerated warrant exercise program.

   The Special Committee, appointed in January 2018 to review strategic opportunities, has been selecting and reviewing the possibilities to monetize non-core assets on a favourable basis. It has now received many expressions of interest to acquire some of these assets and is actively negotiating their terms of sale.

2. Hire New Management: Hire management with experience, proven expertise and skills to leverage the many opportunities available to the Company with focus on its core asset. This is already underway and once clarity is achieved at the upcoming shareholder's meeting on July 24, 2018 we expect further progress.

3. Priorities and Focus: Focus on AZX’s core asset straddling the Cadillac Break. This would include reviewing all of the targets within AZX’s ground and prioritizing those targets demonstrated to have the size and grade potential to host significant mineralization. The recently completed resource update at Orenada has enabled the Company to have a much better understanding of the styles and potential of ground within the belt and to know how to drill out, model and build resources more efficiently. A number of targets with significant historical drill results as well as known mineralized structures have not been followed up with recent drilling but have shown the ability to host the required widths and grade to host potentially significant mineralization. Additionally some zones previously targeted for drilling are known not to have the gold tenor required to warrant further drilling. These will be eliminated.

The Company intends to file and disseminate an information circular in due course. Shareholders are urged not to vote any proxy until they have received and reviewed materials from the Company.

Advisors

Kingsdale Advisors is acting as strategic shareholder and communications advisor and Bennett Jones LLP is acting as legal advisor to AZX. Sprott Capital Partners is acting as financial advisor to the Board and Scotiabank is acting as the financial advisor to the Special Committee of AZX.

Further information about the Company is available on the Company’s website, www.azx.ca, or our social media sites listed below:
Facebook: https://www.facebook.com/AlexandriaMinerals
Twitter: https://twitter.com/azxmineralscorp
YouTube: http://www.youtube.com/AlexandriaMinerals
Flickr: http://www.flickr.com/alexandriaminerals/
LinkedIn: http://www.linkedin.com/company/alexandriaminerals

About Alexandria Minerals Corporation
Alexandria Minerals Corp. is a Toronto-based junior gold exploration and development company with strategic properties located in the world-class mining districts of Val d’Or, Quebec, Red Lake, Ontario and Snow Lake-Flin Flon, Manitoba. Alexandria’s focus is on its flagship property, the large Cadillac Break Property package in Val d’Or, which hosts important, near-surface, gold resources along the prolific, gold-producing Cadillac Break, all of which have significant growth potential.

WARNING: This News Release may contain forward-looking statements. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Alexandria Minerals Corp. relies upon litigation protection for forward-looking statements. 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.
For More Information:

Ian Robertson
Executive Vice President, Communication Strategy
Kingsdale Advisors
Direct: 416-867-2333
Cell: 647-621-2646
Email: irobertson@kingsdaleadvisors.com