



Otis Gold Corp: Kickin' It at Kilgore

A Monday Morning Musing from Mickey the Mercenary Geologist

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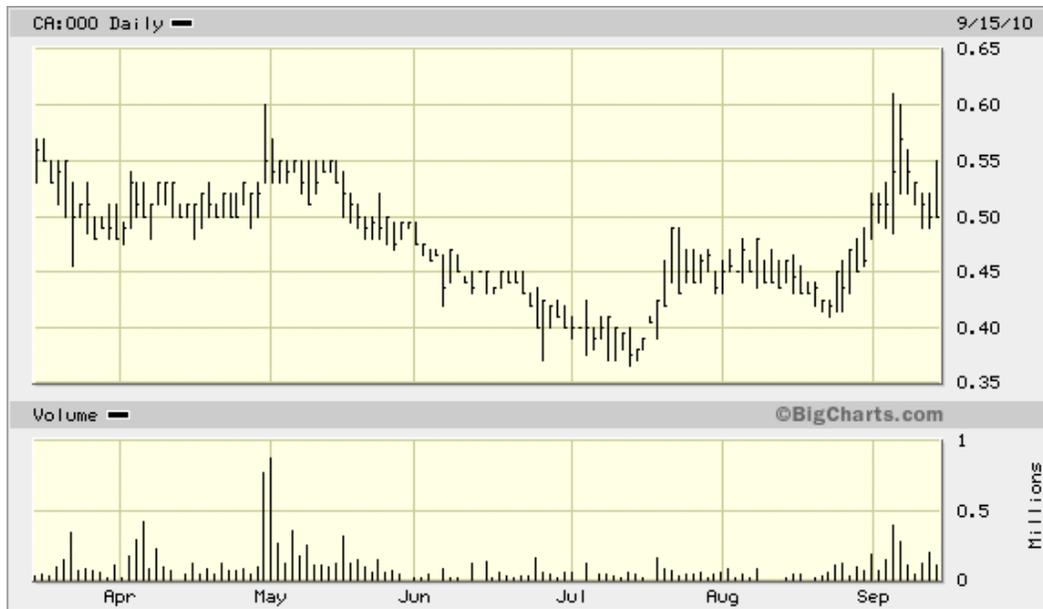
In late July I flew from Albuquerque to Salt Lake, had a one hour layover, and was in Twin Falls, Idaho in less than four hours. That's about as short a jaunt as it gets with my Mercenary lifestyle of countless days and nights on airplanes and in airports. The hardest part of the trip was getting the hotel shuttle to pick me up. That took four phone calls and 45 minutes.

The purpose of my trip was to complete due diligence on [Otis Gold Corp's \(OOO.V\)](#) flagship Kilgore project, located in east-central Idaho. I first reported on the company in early March during the PDAC. At that time Consulting Geologist John Carden and I had a one hour face-to-face meeting to discuss Otis' various projects and in particular, the Kilgore deposit.

I urge you to read my earlier musing to get a good understanding and background on the company's people, share structure, and other projects as I will not repeat this information in today's missive. You can find it here: [Mercenary Musing, March 8, 2010](#).

Since then the company's share structure remains largely unchanged with 28.2 million shares outstanding and 32.6 million shares fully diluted. There are 1.9 million out of the money warrants that can be exercised by October 2011 at 90 cents and 2.5 million options issued to management, directors, and consultants with prices from 20 to 50 cents and expiries ranging up to October 2014.

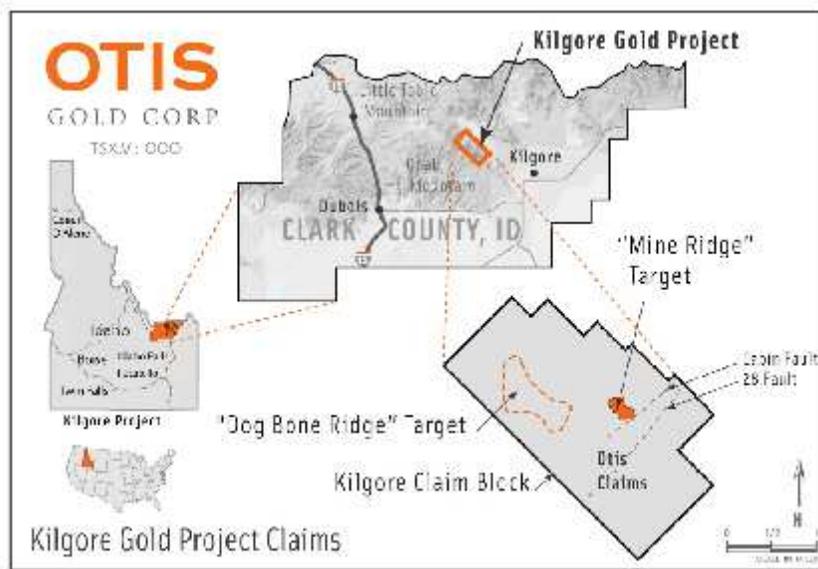
Here's the six month chart for Otis Gold commencing a week after I initiated coverage at 50 cents:



These past months have been a relatively dormant period for Otis Gold with three newsworthy events. Positive drill news released on March 23 resulted in the stock dropping for unknown reasons. A Kilgore project update detailing past work and 2010 plans produced a two day hike at the end of April and early May. The stock dredged bottom in the high 30's on little volume from late June to mid July during the dreary days of the summer doldrums. Last week, assays from the first five holes of this summer's drilling were released and again resulted in a two day spike and an eight month high of 61 cents.

Working capital currently stands \$2.2 million and the company will go to the market for a financing to top off its kitty before year's end.

The share update is done. Let's go to the field:



Kilgore is a low sulfidation, epithermal hot springs deposit situated on the north margin of the Snake River Plain. Host rocks are volcanic tuffs and older sedimentary rocks along a ring-fracture zone of the Kilgore caldera. NE and NW structures control alteration and mineralization.

The deposit consists of high-grade bonanza veins surrounded by lower grade fracture and disseminated mineralization. Gold is associated with silicification, adularia, tourmaline, and minor polymetallic sulfides. There are two main targets: Mine Ridge, which hosts the current resource, and Dog Bone Ridge, which has significant gold intercepts, geophysical anomalies below hot springs sinters, and soil geochemical anomalies up dip of the outcrops.

I was joined on the first day of the tour by several other analysts and newsletter writers. Moving 10 of these guys in the morning is like herding cats. First, a few of us overwhelmed the hotel cafe staff for a 6:30am breakfast. There was the usual late guy and then company personnel had to figure who went with whom in the three trucks. Luckily these field tours are always heavy on geology so I'm often awarded a shotgun seat with the Chief Geologist or VP-Exploration as chauffeur and an opportunity for one on one conversation traveling to the project.

Think about it: I know of only five geologists-analysts-newsletter writers in this business. Therefore, there's never much competition.

We were out at about 8:00am and drove 40 minutes north from Twin Falls to Otis' field house in the village of St. Anthony. Presentations were made and questions answered by John Carden and Chief Geologist Mitch Bernardi, the two men in charge of the project for Otis and previously for Echo Bay Mines.

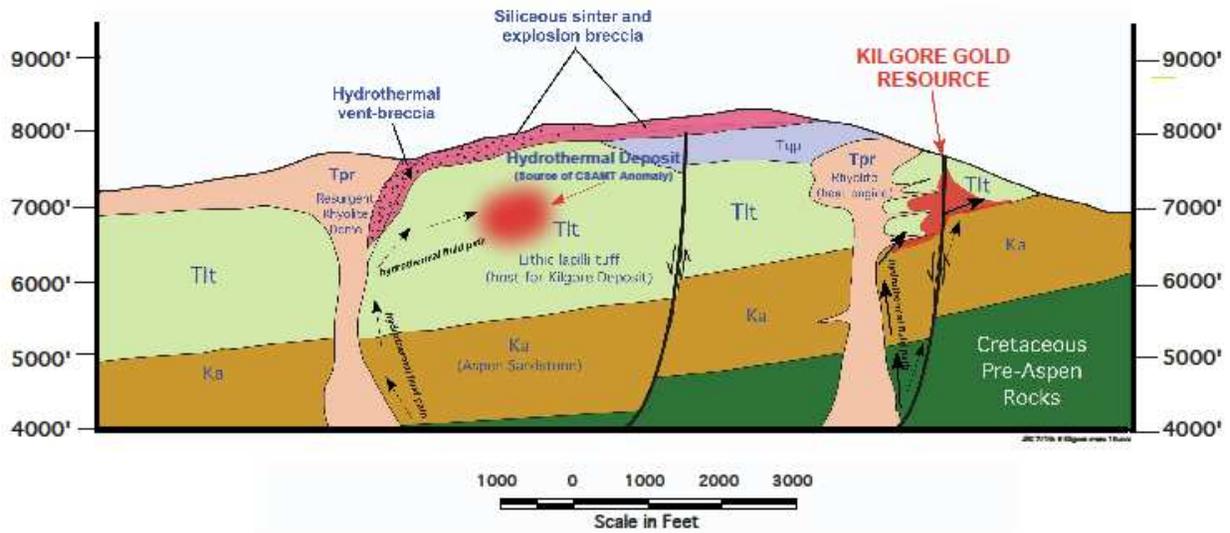
After about two hours every cat was herded up again and we drove an hour north to the Kilgore project.

Here's a view from the highway to the project area. The center to right-center ridge on the horizon correlates with the cross-section that follows:



View Looking Northwest to Kilgore Project

KILGORE GOLD PROJECT LOOKING NORTHWEST



Geologic Model of Kilgore Project

This photo is of nine members of the tour group minus an investor who came all the way from Virginia, spent thirty minutes at the project area in a truck, and went back to the airport for the flight home:



Herd of Geologists, Writers, and Analysts Plus a CEO

After a *well-done* barbeque lunch on site, we proceeded up the hill to look at the rocks, core, lay of the land, and drill rigs. Here's the core rig testing the fault boundary of the deposit on the northeast side:



Core Rig Testing the Cabin Fault Contact

We were at the rig when some very good-looking rock came out of the tube:

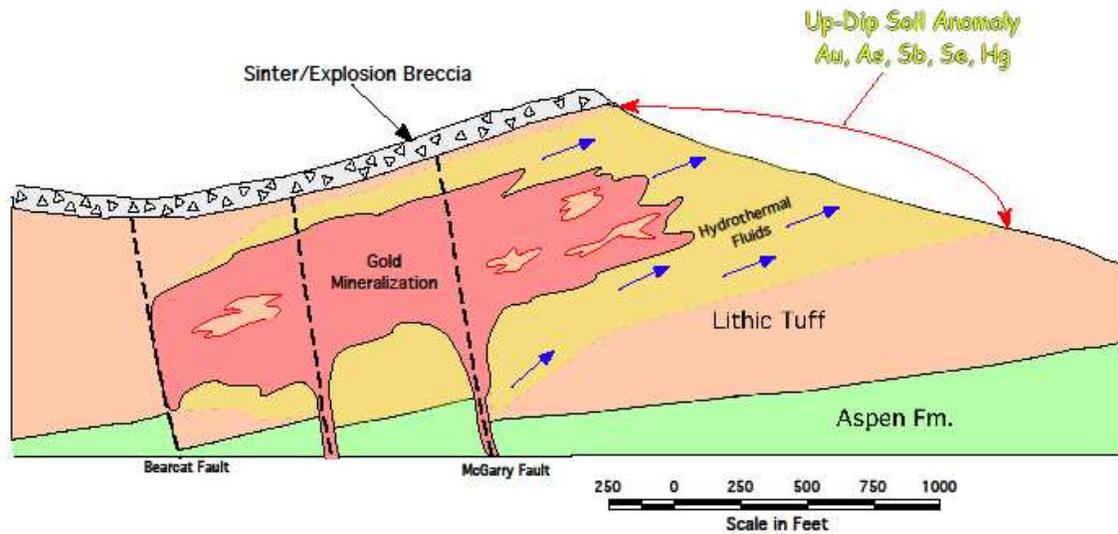


Mine Ridge Core with Strong Silica Breccia

Although assays are pending, this is the typical alteration style of silica stockworks veinlets and flooding with minor sulfide that commonly hosts high grade gold and silver at Kilgore.

After spending a pleasant, warm, and sunny afternoon on the project, we went back to St. Anthony, met with the drill geologists, and then drove back to Twin Falls since most of the analysts and writers had early evening plane flights. CEO Craig Lindsay, Brent Cook, my peer as a geologist-analyst, and I had a very nice dinner with wine at a local boutique restaurant.

Early the next morning, Otis' senior geologist, Steve Sturm and I again drove north to the project. This time we worked on the south side from the Mine Ridge deposit at Dog Bone Ridge, which has high priority blind targets with a similar geological model as the existing resource:

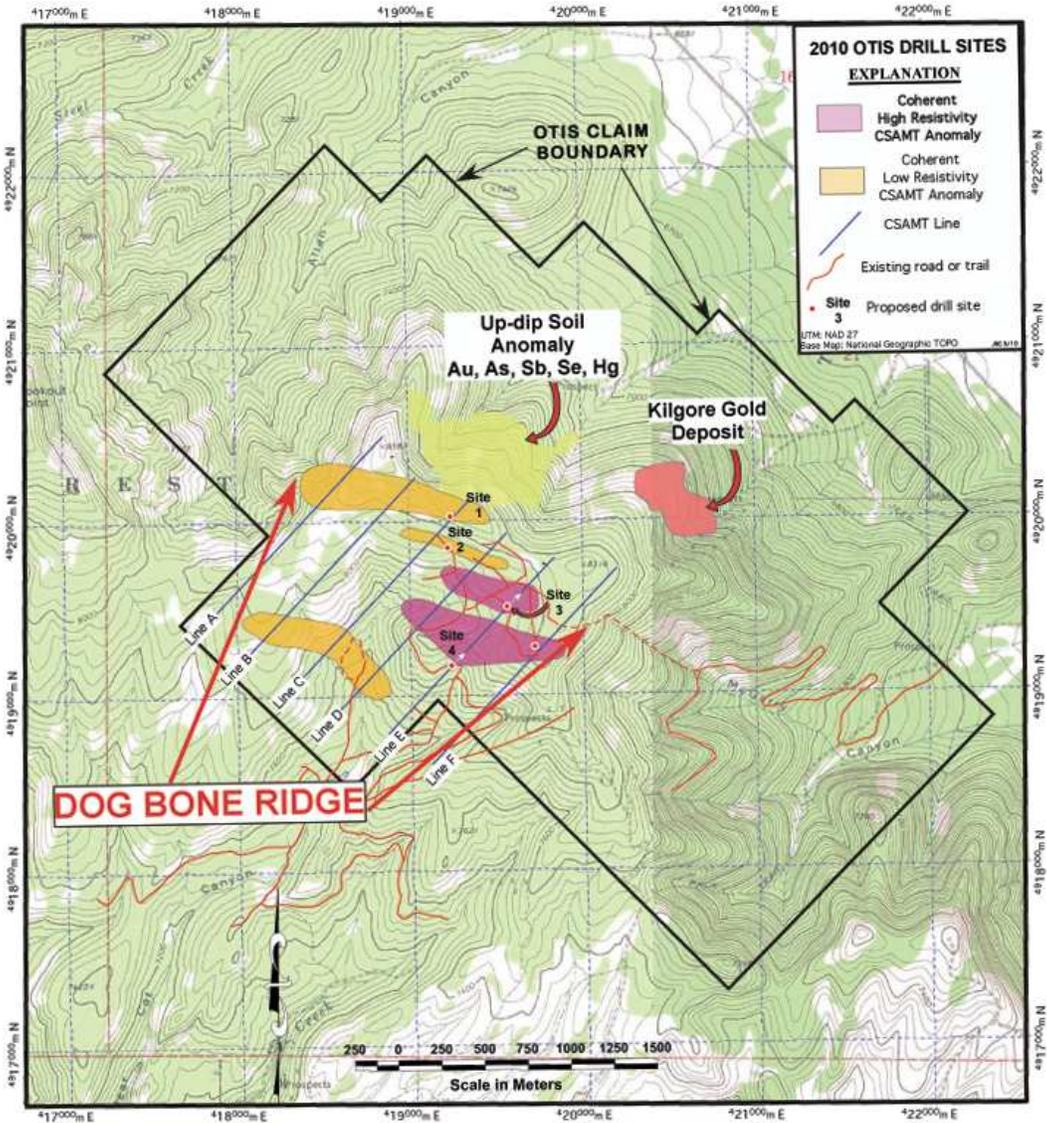


Kilgore Gold Project

Clark Co., Idaho
 Cross Section A-A'
 Looking West

Historic drilling indicates strong alteration beneath hot springs sinter cover and is defined by low resistivity clay haloes surrounding highly resistant “knots” of silicification. Two of these high resistivity anomalies were confirmed by previous drilling to host significant gold intercepts (51.8 m at 1.25 g/t Au; 99.4 m at 0.43 g/t Au). In addition, soil geochemistry anomalies up dip and down ridge lend further credence to the targets. A five hole, 1500 meter drill program commenced at Dog Bone Ridge last week.

Steve and I parked below the ridgeline and walked up to the top, looked at numerous silica sinter croppings, then returned to the truck for lunch.





Massive Hot Springs Sinter Outcrop at Dog Bone Ridge

We drove out to Spencer where I bought one of the district's famous rainbow opals in a local rock shop, then drove around to Mine Ridge, checked on the drill rigs, picked up core, and headed back to St. Anthony. The work day concluded with examination of the latest core hole where I demonstrated my quick logging techniques to a young drill geologist, Alec Sandberg. I flew back to the home office the next day with a layover in Salt Lake City that included dinner with my cousin Bob from Vernal and his family. Now I have seen him twice in 42 years.

Otis Gold is having a busy summer field season at Kilgore with a 35 hole, 6700 meter drill program designed to define the boundaries, delineate, and increase the size and grade of the Mine Ridge resource and the aforementioned five hole, 1500 m drill program at Dog Bone Ridge. The Mine Ridge program is wrapping up and one rig recently moved to Dog Bone where drilling will continue into the fall.

Bench-scale metallurgical work is in progress with McClelland Laboratories and the company recently initiated an environmental scoping study with Golder & Associates. A revised 43-101 resource estimate will be commissioned after all 2010 drill results are received.

I initiated coverage of Otis Gold Corp in early March. The stock has traded in the range of 45-55 cents for most of the past six months. I attribute the stock's lackadaisical performance on a period of little news as management first was planning and then implementing a concentrated exploration and evaluation program for the summer.

The first set of assay results were delivered on September 8. All five reported holes hit significant ore-grade mineralization, with the three best returning 55.5 m of 1.36 g/t Au, 30.4 m of 2.53 g/t Au, and 13.7 m of 2.15 g/t Au. These are robust results in the core of the Mine Ridge deposit.

The market reacted positively but briefly to this news with high volumes. OOO reached an eight month high of 61 cents but has since dropped back to the low 50's.

The 2010 drill program for Mine Ridge includes assays of 30 more holes so I expect nearly constant news flow from now until year's end as in-fill and step-out holes are logged, processed, and reported. The results from initial testing of Dog Bone Ridge also should be available in the late fall to early winter. If successful in finding new epithermal alteration and mineralization, this play could significantly upgrade the exploration potential for the Kilgore project.

Other pending catalysts include the aforementioned metallurgical test results expected in late Q4. The company projects the formal pre-feasibility study to commence in mid 2011.

As you know, I play all my investments for a double in 12 months or less. That's a \$1.00 price for OOO. I initiated coverage in early March so we have six months for that to happen.

The clock is ticking but I remain bullish on Otis Gold Corp's prospects to reward its shareholders in a timely fashion.

I know you've read it before and my disclaimer is getting tired, but I have to say this to keep the government regulators, bureaucrats, and legal beagles off my arse: I own shares in Otis Gold Corp and it pays a fee to be a sponsor of MercenaryGeologist.com. Therefore, my opinion is clouded by a vested interest for the company to trade at a higher price.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [Mercenary Geologist Michael S. "Mickey" Fulp](http://MercenaryGeologist.com) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, newsletter writer, and speaker.

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