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HALLGARTEN & COMPANY

Initiating Coverage

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Para Resources

(TSX-V: PBR, FSE:A14YF1, OTCQB: PRSRF)

Strategy: LONG

Key Metrics				
Price (CAD)	$0.23			
12-Month Target Price (CAD)	$0.58			
Upside to Target	152%			
12 mth high-low	$0.125-$0.355			
Market Cap (CAD mn)	$ 24.3			
Shares Outstanding (millions)	105.6			
Fully Diluted (millions)	121.7			
Pro-Forma (Post-NML)	140.5			
	FY16	**FY17e**	**FY18e**	**FY19e**
Consensus EPS		n/a	n/a	n/a
Hallgarten EPS (USD)		$0.000	$0.064	$0.134
Actual EPS (USD)	-0.04			
P/E	n/a	n/a	2.7	1.3

Para Resources

Advancing on Three Fronts

+ With a producing gold mine and operating mill in Colombia, Para Resources has passed into the all-important producer category
+ The imminent addition of the operating mill in Nicaragua adds more ounces to production and brings further positive cashflow
+ Peru deal brings a polymetallic deposit into the fold plus a milling operation that will purchase in outside ore from small operators near and far.
+ Total annual gold production by the end of 2018 could be of the order of 55,000 ozs
+ Cashflow will fund growth after 2017
+ Potential for the model to be replicated at other sites in current countries served and farther afield
+ Political risk diversified and mitigated by geographical spread
✖ Gold price is far from robust and while Para is insulated to a degree from this (by being a processor with a relatively fixed margin) the gold price still effects investor sentiment and revenues in the mining part of the business

Going Pan-Latin

What started out as a plan to deliver a new Brazilian gold producer to a market continually seeking novelty has converted into a much more felicitous outcome with Para Resources forsaking Brazil and instead becoming a three-country push into the mining and processing of gold that it has mined itself as well as mineralized ore that it has bought in from small producers. Colombia was the foundation for this strategy for Para Resources but in fact the skillset goes back farther as the Nicaraguan business was developed by one of the directors before the most recent transaction brought it into the fold.

Now Peru is being added, and with it, a wider range of metals will be produced (including Zinc). In this research note we will look at the pieces that go together to make up this strategy, and how the "whole" may look when it's all in place.

Cutting the Coat to Suit the Cloth

Even as gold was recovering, several of the bootstrapped gold producing juniors were seeing strong investor interest because they were providing what the market wanted: production that was turned on with minimum fuss, minimum financing and minimal dilution.

The model of buying in ore and bulking up flows through the milling operations with this extra product is now tried and tested in Colombia and Nicaragua and shortly to be introduced to the new Peruvian operations.

Microproducers are not just a phenomenon of the tail end of the Great Slump. We believe that they are the new paradigm moving into a broader metals recovery (whether a "Great Recovery" or not remains to be seen).

Colombia

The company's activities in Colombia are termed the El Limon Project but in fact they are not really a *project* but a working mine and milling operation. This activity is carried out near the town of Zaragoza.

In early 2015, Para bought 20% of Colombia Milling Limited, which purchased 60% of the El Limon mine. There were two other partners. Between February and June 2016, Para acquired both partner's interests in Colombia Milling and now through its 100% ownership, and the dilution of the minority partner, indirectly owns 72.5% of Four Points Mines SAS which owns the El Limon mine. The minority interest in Four Points is owned by a local Colombian partner.

The shares of Four Points were acquired in 2015 for US$5mn. Payment terms were $550,000 in cash, $1,450,000 (of which $700,000 has been paid) over three years plus a 2% NSR Royalty until an additional $3,000,000 is paid.

Para through a new wholly owned Colombian subsidiary; Zara Holdings S.A.S., acquired the adjacent 21,000 Ha of mineral rights. There are three operating underground mines on the property. In addition, the presence of over 1,000 additional small artisanal miners indicates extensive mineralization. Once permitted, material from these workings will be used to supplement underground production at El Limon.

Geology

In the area there are two zones of metamorphic rocks, one of feldespathic-aluminic gneisses and the other associated to the Cajamarca Complex rocks. There are also granitic bodies associated to Cretaceous magmatism.

The mineralization of El Limon mine is embedded in the quartz-feldespathic gneisses.

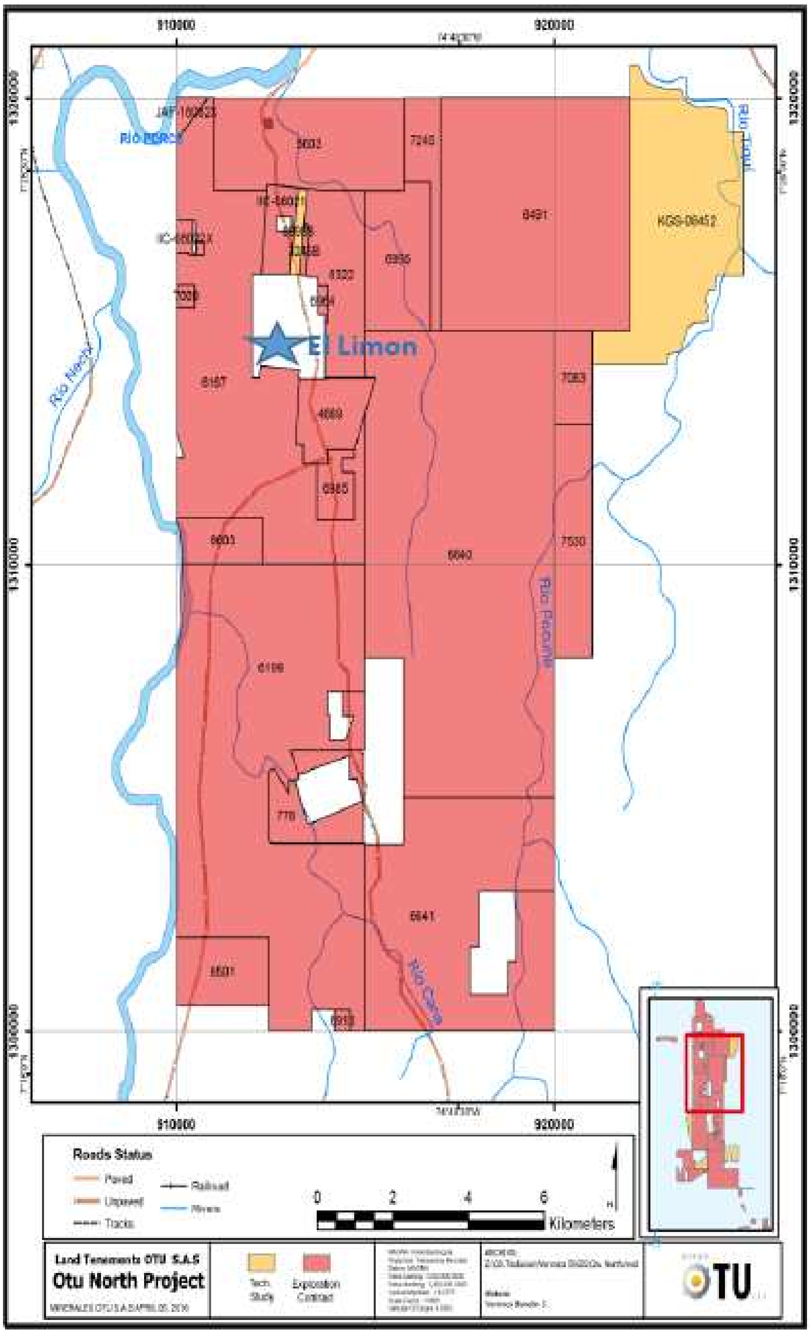
The area features Quaternary deposits; the largest ones are located on the creeks called Juan Vara, Sardina and Culebra.

The main structure present in the area is the Otu Fault that crosses the area from North to South, the control over the Juan Vara creek is relevant.

The known vein systems of the region extend up to 2-3 km in length with plunging high-grade ore shoots central to the vein and surrounded by a lower grade halo. Vein dips are typically around 30-40°, and occasionally sub-vertical.

The gold occurs in a milky quartz vein, to the west of Otu Fault, its approximate course is N10E/40W, with average thickness of 0.40 m. These features are very consistent in an extension of almost 400m on the course and 350m in the dip direction.

Typical production grades of the region range 8-12 g/t Au diluted.



However, higher-grade mines also exist, such as Quintana and El Limon mines at 15-20 g/t Au diluted. Vein widths are typically below 1m, although both the hanging wall and footwall zones can contain appreciable economic mineralization within the high-grade cores.

Structure is continuous, except for a series of reverse faults, with displacements ranging from 0.2m up to 40m and 60m, of which the main ones are El Limon and Leonel Faults, and to the north the 5N and the Victoria faults.

Gold mineralization is related to sulphide contents, mainly pyrite, with smaller amounts of galena, sphalerite and tetrahedrite, usually occurring as clear strips with a thickness ranging from 2 to 5 mm, and they comprise from 7% to 12% in volume. Occasionally the strip structure is replaced by distributions of sulfides which are more irregular or uneven. The gold/silver ratio is 1:1.2; the mineralization is normally contained within quartz veins, it is very rare to find quantities of gold directly in the host rock. The tenor of gold appears to relate to the quantity of sulphides, preferably related to the presence of sphalerite and galena.

Pyrite is the first most common and abundant ore, present in the form of aggregates of anhedral and subhedral crystals. Tetrahedrite is the second most abundant ore; usually it occurs in anhedral crystals. Gold is the most important metal; it appears in the form of grains in native state or electrum, normally encapsulated with galena and in the form of inclusions in pyrite crystals, but not always. The particle size is distributed in ranges from 1 to 120 microns, occasionally above 200 microns.

Operations

The strategy at El Limon is to upgrade the existing mine by eliminating some of its limitations. Underground mining at El Limon is restricted by the size of the main winch (located underground) to 100tpd. The strategy to remedy this is to take the shaft vertically up to surface and then install a new winch at the top of the shaft. Below can be seen the adit.

In addition the company plans to gain economies of scale by buying in ore. Nearly 60 independent gold mining operations are located in very close proximity to the El Limon production facility. Many of these are operating on Para's concession territory. These operators are being targeted as sources of ore to be purchased by Para and fed into the milling operation of the company.

The material mined by the small local miners is very similar in nature to the material being mined at El Limon. The economic model of the processing of the third party ore is that the local miners are paid 35-42.5% of the assayed gold in the rock delivered to the mill, based on the current price of gold. The final product sold by El Limon is gold/silver doré from this comingled ore.

The existing process set-up at El Limon consists of two-stage crushing, milling, gravity separation, flotation, cyanidation, Merrill-Crowe precipitation and smelting.

The crushing plant (pictured above) historically operated one shift per day at 10-12 tonnes per hour but has capacity of 20 tonnes per hour, providing sufficient crushed rock to feed the mill. The crushing plant consists of a jaw crusher, cone crusher, vibrating screen and associated belts and bins. A nominal 3/4" product is supplied to the mill.

Para Resources recently completed a $3.6mn upgrade program at the crushing plant to allow a smaller (-1/2") nominal feed to the mill. This was done via the installation of a second ball mill, a new thickener, new flotation circuit and an upgraded CIP process circuit. Mill throughput has been increased to 200tpd for mined rock and 400tpd for milled rock and tailings.

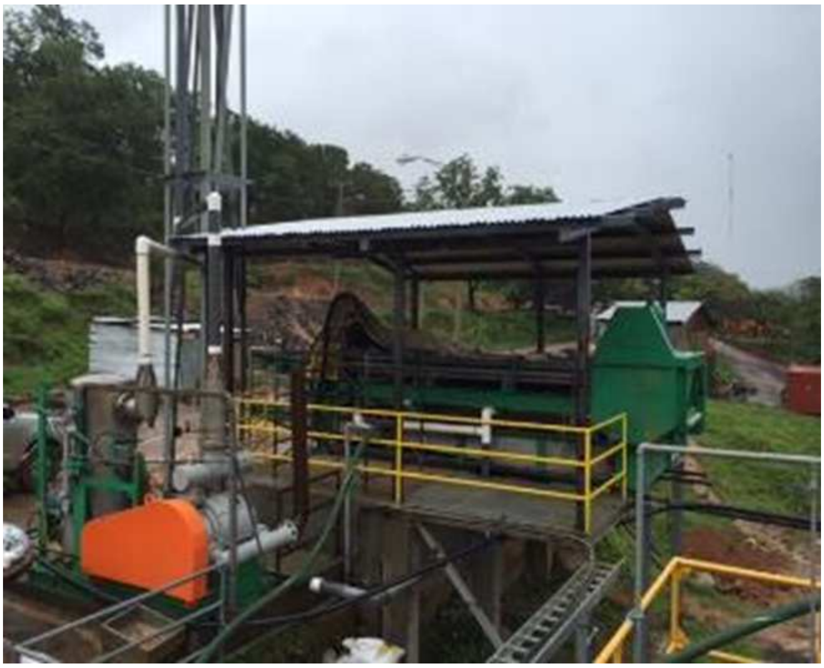
El Limon restarted limited production in June 2016 but due to some manufacturer's defects on a long lead time item, the installation of the second ball mill was delayed. The ball mill is now installed and commercial production is expected in late March. The historical tailings have been assayed and have an average grade of over 3g/t. These tailings require little if any milling and be screened and the majority will be fed into the process after the ball mill. .

Since operations at El Limon have re-started, mining costs have been $85-95 per ton and processing costs have been $65-$75 per ton.

Work is ongoing to survey and assay the four levels of historical working where "room and pillar" mining method was used and the historical tailings. During the time the processing plant was being rehabilitated, underground development work was undertaking, opening two new working faces on Levels 6 and 7.

El Limon is at cash flow break-even at production of 62 TPD producing 450 ounces per month. Uptime during the commissioning phase has been 66.6% while gold recovery has been greater than 43% and has been steadily climbing. The range of head grade during commissioning phase has been 2.5g/t – 8.54 g/t (and is improving and expected to be greater 8 g/t average). The average monthly gold production during commissioning phase : 168.29 ounces.

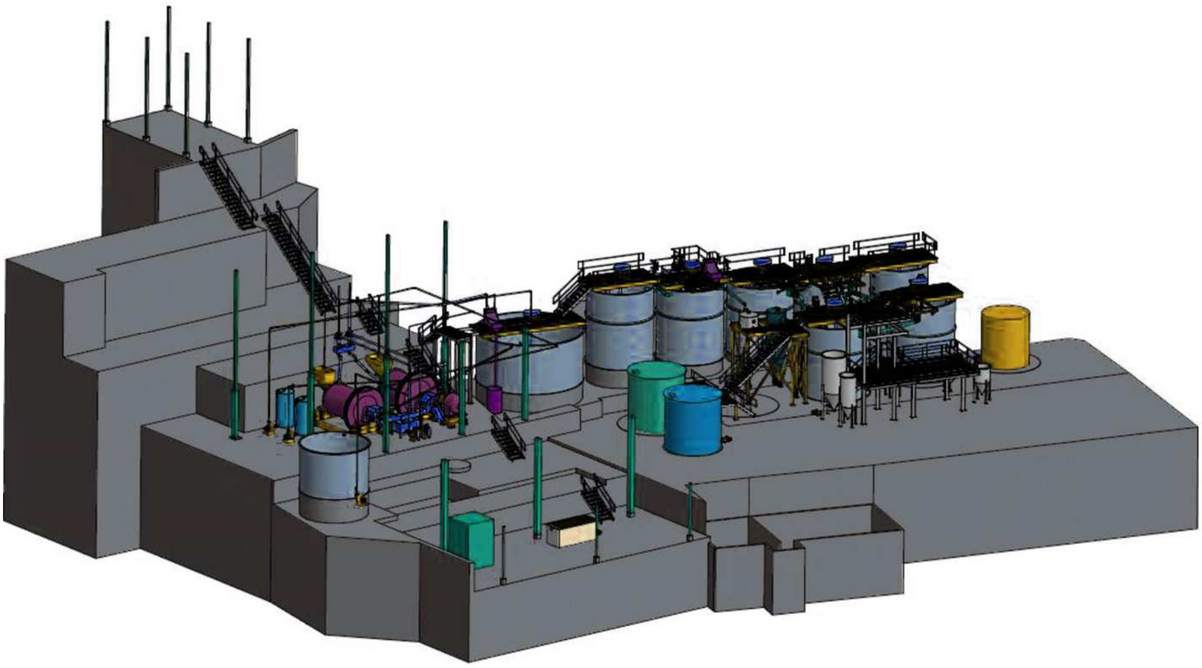
Nicaragua



The background to Para's Nicaraguan push is ironically rooted in the strategies of B2Gold in the central American country. As B2Gold moved forward with its plans for the development of its La Libertad property in the country it found it had a dilemma in light of the large population of artisanal miners (by some estimates 2,500 individuals) across its property. It did not really want to deal with these people but at the same time could not ignore them and there is always the latent possibility that relations could sour and the all too familiar mine blockades could surface as an issue. The solution came in the form of Randy Martin and Sergio Rios offering to establish a milling operation that would deal with the output of the small miners and thus relieve B2Gold from the need to have more than minimal interaction with the artisanal crews.

Thus with the blessing of B2Gold and financial encouragement an operation was set up to acquire ore from the small miners and mill it at site. The structure for this was the Nicaragua Milling Company Ltd. (NML), a Belize-registered company. NML is owned by Randy Martin (a Para Resources director and executive), Sergio Rios and a third minority shareholder.

The operation (pictured at the right) prospered and NML has, over the last twelve months, generated over US$524,000 of EBITDA, on average monthly production of 864 ounces of gold. Throughput is 150tpd. Production and financial results are expected to improve over the course of 2017 with forecasted production of over 12,000 ounces generating over US$3.37mn of EBITDA.



The plant cost $6.5mn to build and has 45 direct employees. The goal of the operation is broader than just making money for the operators. From the government's point of view it reduces clandestine mercury usage in ad hoc "refining", it should increase tax revenues for the national and local governments and brings workers into the regular economy.

The Deal

In mid-January Para Resources announced that it had entered into a non-binding Letter of Intent to acquire an 80% interest in with mining interests in NML. The aggregate consideration payable to the vendors for the NML Shares shall consist of 40,000,000 common shares in the capital of Para at a deemed price of C$0.20 per share and 4,000,000 share purchase warrants of Para. Each warrant will be exercisable to acquire one common share of Para at a price of CAD$0.30 for three years from the date of issue.

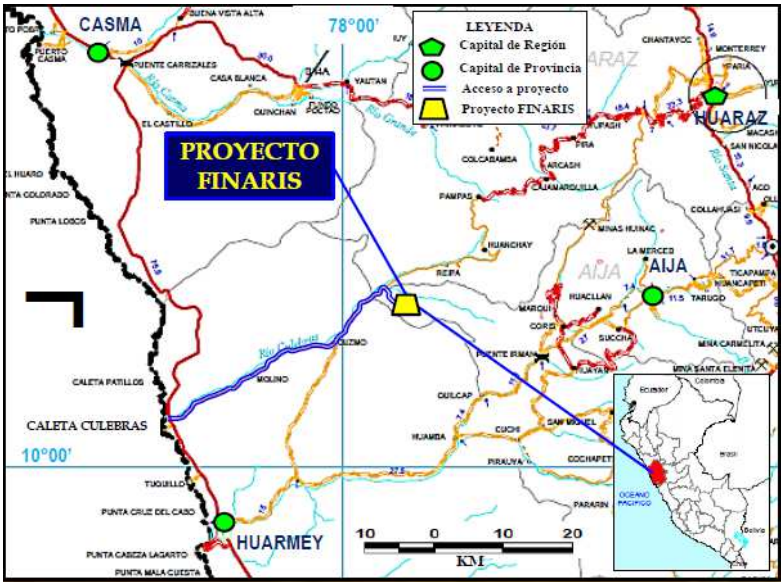
The completion of the transaction is subject to the satisfaction of a number of conditions including the following:

- satisfactory completion of due diligence by each party on or before May 17, 2017
- the parties entering into a definitive agreement in respect of the Transaction on or before May 17, 2017
- the approval of the directors of Para and the Para shareholders
- Para entering into management agreements concerning NML, in a form acceptable to the Vendors and their counsel. NML will operate as a separate entity, with day to day operations conducted out of the NML's offices in Managua, Nicaragua
- Para entering into a unanimous shareholders agreement (the "Shareholders Agreement") with NML and the Vendors in respect of NML, which shareholders agreement shall include such terms and conditions as are customary for agreements of such nature, including, but not limited to, concerning the operational control of NML, decision-making requirements regarding certain fundamental matters and customary buy/sell provisions, including 'shotgun', 'drag-along', 'tag-along' and 'right of first refusal' provisions, in a form acceptable to the Vendors and their counsel;
- Para appointing Rios as a director
- the Vendors entering a pooling agreement in respect of the Shares and Warrants acceptable to Para and its counsel.

By virtue of Randy Martin being an insider of Para, the transaction was considered to be a "related party transaction" as defined in TSX Venture Exchange policies and thus wase required to be approved by disinterested shareholders at a meeting of Para shareholders.

Peru

While the deal in Peru is still not closed it is worth looking at this operation because it replicates the business model in Colombia and partially mirrors the strategy in Nicaragua. In this case, the 900 hectare Final del Arcoiris (Finaris) concession is a gold/silver/copper/zinc deposit with an underground mine is located 1,552m asl in the Coris district approximately 345 kilometres north of Lima.



Peru is a well-known quantity to investors but one with varied perceptions in recent times. Quite a lot of this has to do with heavy-handed behaviour by foreign miners having rubbed local residents up the wrong way. Para is skilled at dealing with small operators (as can be seen in Colombia and Nicaragua) and thus this should not be an issue. Indeed they could become the paragon in terms of relations with local artisanal and small miners.

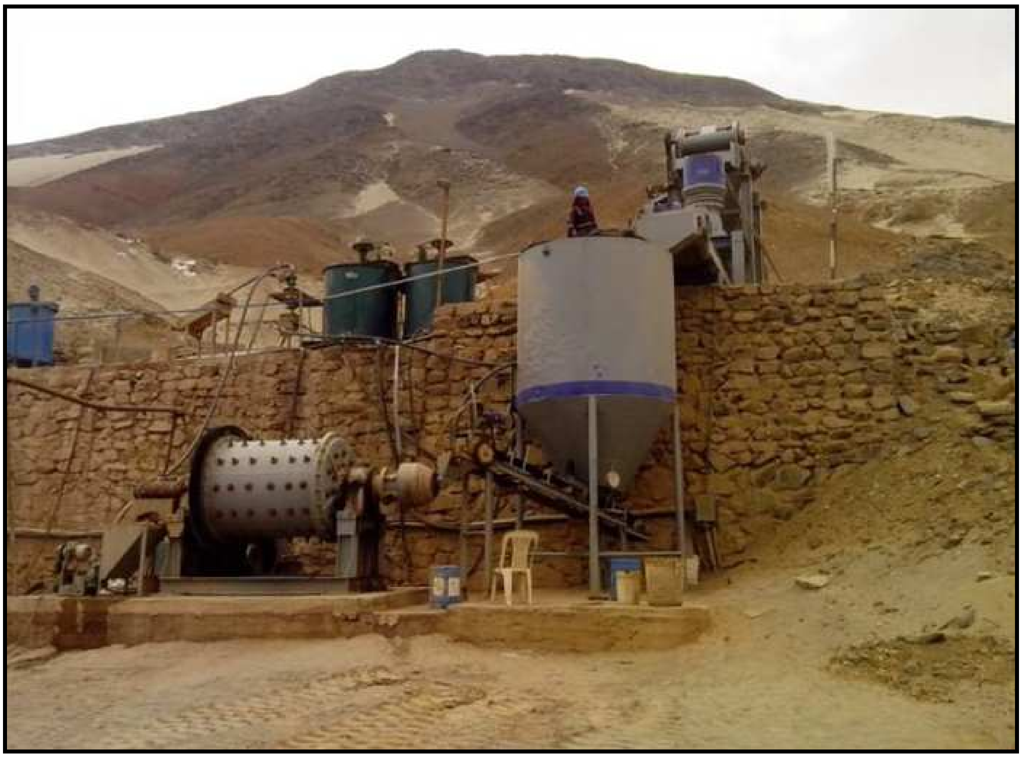
Beyond that though, Peru itself has taken an interesting turn with the installation of the well-known "Wall Streeter" Pedro Pablo Kucynski as the country's president. If anyone knows the importance of relations with foreign investors it is him. It is also novel to note that he was originally at Kuhn Loeb, a storied firm started by the cousins of the original Hallgarten partners in the mid-1800s.

Assets & History

The Final del Arcoiris (meaning "end of the rainbow") mining concession proved not to have a pot of gold for those who initially developed the current mine. The owners of the project tackled the task with "enthusiasm" but that alone was not sufficient to ensure a profitable or even successful outcome. The acceptance of the reality of the errors made has resulted in the search for skilled partners to take over direction of the project and for that reason Para Resources have been brought in on an earn-in basis Joint Venture.

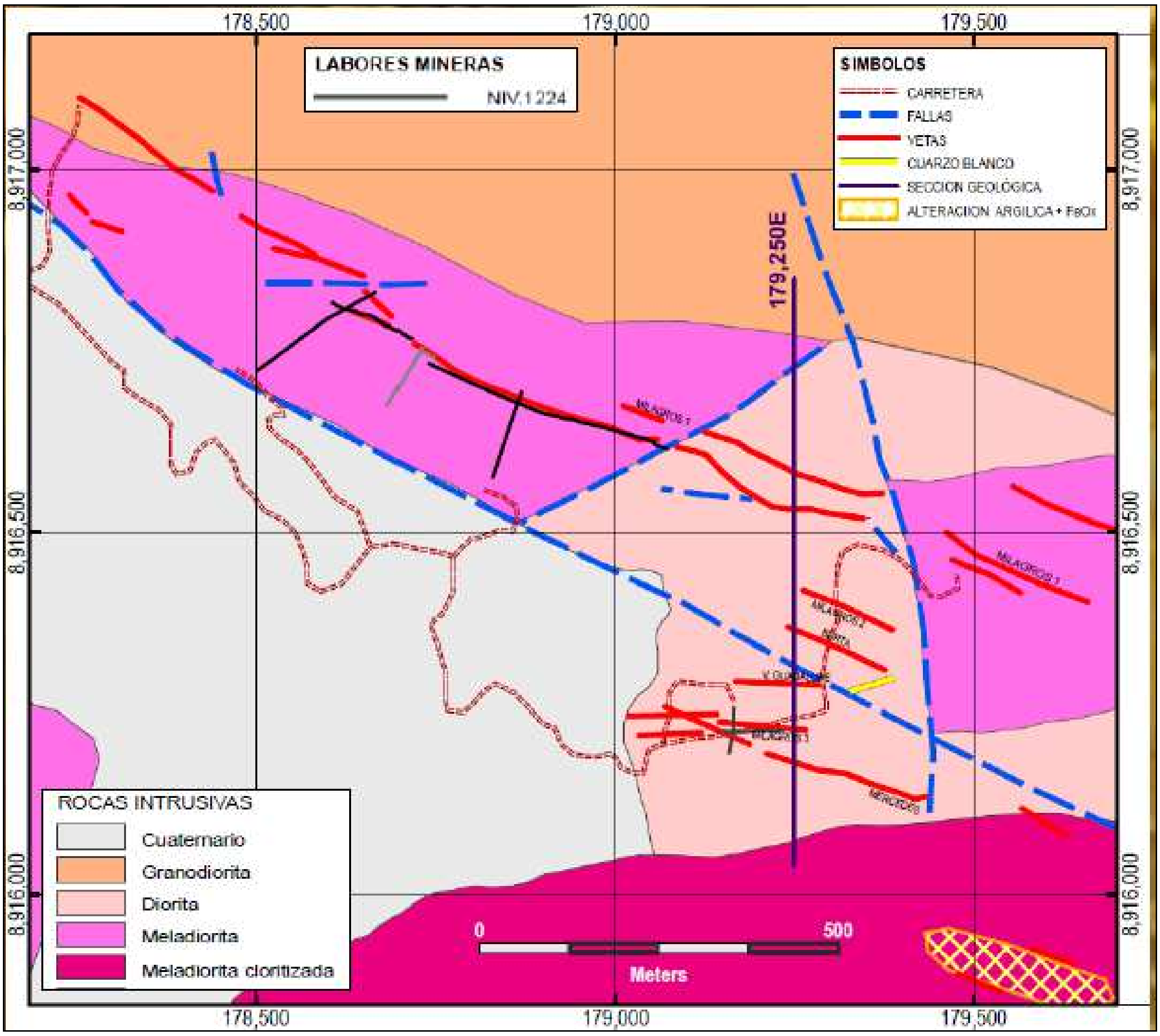
The project consist of the mine, the 900 hectare concession area and includes a permit for the construction of an additional 200tpd of gold processing plant which could be upgraded to 350tpd with an additional permit. Work thus far includes a 426m drift and 591m of production galleries. The initial mine plan by the vendor, MISCON, outlined a target resource of 300,000 ounces of gold at 10.1g/t and 500,000 ounces of silver, based on development mining in galleries in only the Milagros-1 vein.

In addition to the operations at Finaris, the Las Lomas de Casma Plant is located in MISCON's Casma property and has a current capacity of approximately 50tpd output but is permitted for 150tpd. This plant will process the oxides from the Finaris Mine or that Para shall acquire from third parties. Para is evaluating its options to upgrade this facility and to maximize investment returns.

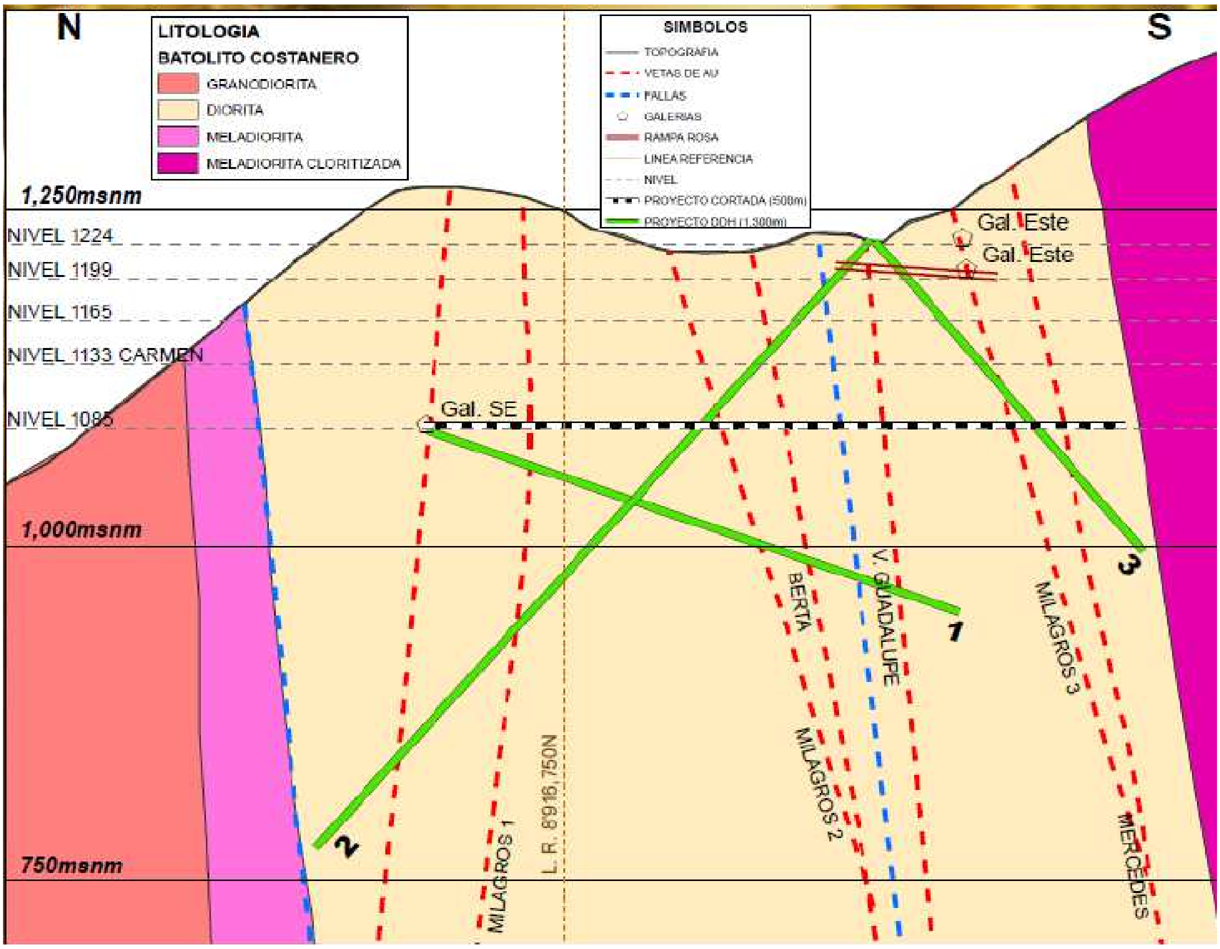


Geology

In the map below the veins are shown in red, faults are shown in blue and the drifts and galleries are shown in black.



Below can be seen a cross-section of the Finaris deposit. The gold veins are the vertically oriented red dotted lines. The existing galleries can be seen near surface at the upper right marked “Gal. Este”.



The plan at the moment is to spend around $7.5mn in capex of which around $1mn will go on mine development and the rest on implementation of a flotation circuit.

The Deal

In late January 2017, Para announced its entry into the Peruvian mining scene through the signing of a Memorandum of Understanding with *Mining and Solutions Construction Group S.A.* (MISCON) to form a strategic alliance (and earn-in agreement) relating to MISCON's Finaris Mine and associated concessions as well as the Las Lomas de Casma processing plant.

The deal is basically an earn-in. Para has agreed to invest an amount of capital and expertise (know-how, technology and related administration), expected to be between US$5–7 million in improvements and expansion to increase production.

Upon the completion of the project, Para will earn a 50.1% ownership interest. Prior to the signing of the definitive agreement, the parties will agree on the pre-money valuation of MISCON and the relative value of the capital, equipment and expertise to be applied by Para Resources to the project. Para may earn an additional 25% interest upon the achievement of mutually agreed production goals/milestones.

When and if Para Resources earns a 75% interest in the assets, MISCON will have the option, at its sole discretion, to sell the remaining 25% ownership in the assets to Para at fair market value, in cash or in shares of Para, or any combination thereof.

The Strategy

Para's plan will include the development and expansion of the existing underground mine as well as establishing relationships with local artisanal miners. There is no other contract milling operation in the district, however, there are many high-grade small mines that are currently trucking their ore over 1,000 km, suggesting that a contract milling operation in Las Lomas de Casma will be commercially viable. The processing of third party material gives the company operational flexibility and increased short term production.

Latest Results & Earnings Outlook

The profit & loss table on the following page shows the recent results evolution and our projections for FY17 and FY18. These represent a broad approximation as the potential for economies of scale to boost these numbers higher will remain conjectural until commercial production is declared.

In our estimation, there will be a gradual buildup of gold production volumes at El Limon during the last three quarters of FY17. The sudden jump in acquired production at the end of FY17 is due to the addition of volumes in Nicaragua (which will be all acquired ore). On the page after the financial model can be seen the production model.

The proportion of own-ore at El Limon should start to rise with improvement to the mine over the intervening quarters.

Fiscal year 2018 will see a full year of Nicaragua production while FY19 will see Peruvian contribution start to kick in.

We have factored in the minorities at both El Limon and in Nicaragua and Peru. This will average between 20-25% trending towards the higher percentage when Peru hits its stride.

The volumes projected for FY19 at over 60,000 ozs per year will have Para leaving the "microminer" firmly in its past. We are projecting EPS of 6cts in FY18 doubling to 12ctsin FY19. This leaves substantial room for a healthy dividend. This becomes more likely due to the sizeable "skin in the game" that directors have as also major shareholders.

Para Resources

FY ended September

CAD mns	FY19e	FY18e	FY17e	4Q17e	3Q17e	2Q17e	1Q17	FY16	4Q16	FY15
								13 mths	4mths	
Revenue	98.01	54.28	11.13	6.76	2.69	1.78		-	-	-
Cost of Revenue, Total	59.78	33.11	7.87	4.46	1.99	1.42		-	-	-
Gross Profit	38.22	21.17	3.26	2.30	0.70	0.36	-	-	-	-
Selling/General/Admin. Expenses	1.82	1.68	1.75	0.32	0.34	0.36	0.73	1.93	0.58	0.47
Exploration	1.10	0.75	0.30	0.10	0.10	0.10		0.21	-0.02	-
Depreciation/Amortisation								0.01	-	-
Interest Expense (Income)	0.32	0.16	0.03	0.02	0.01		0.37	-	-	-
Unusual Expense (Income)							(0.06)	-0.88	-0.85	-
Other Operating Expenses	1.33	1.10	0.21	0.12	0.12	0.12	(0.15)	-	-0.03	-
Total Operating Expense	64.03	36.64	10.13	5.00	2.55	2.00	0.88	1.26	-0.32	0.47
Operating Income	33.97	17.64	1.01	1.76	0.14	(0.22)	(0.88)	-1.26	0.32	-0.47
Gain (Loss) on Sale of Assets							(0.34)	-	-	-
Other, Net	0.04	0.03	0.13	0.07	0.04	0.02	-	-0.07	0.63	-0.3
Income Before Tax	33.93	17.61	0.88	1.69	0.10	(0.24)	(1.22)	-2.12	0.52	-0.89
Tax	7.80	4.05	0.20	0.39	0.02	(0.06)	-	0.01	0.01	0
Income After Tax	26.13	13.56	0.67	1.30	0.08	(0.19)	(1.22)	-2.13	0.51	-0.89
Minorities	6.01	3.12	0.30	0.36	0.02	(0.05)	(0.03)	0	0	0
Income pertaining to Shareholders	20.12	10.44	0.37	0.94	0.06	(0.14)	(1.20)	-2.13	0.51	-0.89
Weighted Average Shares	161.20	161.20	156.20	140.5	140.5	122.7	104.4	58.21	105.89	25.56
EPS	0.12	0.06	0.00	0.01	0.00	0.00	-0.01	-0.04	0.00	-0.03
Gold production - own (ozs)	28,610	9,600	4,330	1,920	1,280	1,130				
Gold production - acquired (ozs)	33,839	23,805	2,551	2,174	378					
Gold Price (Hallgarten estimate)	$1,330	$1,300	$1,240	$1,270	$1,250	$1,200				
CAD:USD	1.18	1.25	1.31	1.30	1.30	1.31				

The table below shows the evolution of production volumes (in our estimation) from both own-mining and acquired ore. The blue shading represents FY17, the pink FY18 and the light green is FY19.

Gold Production

	2017				2018				2019			
	March Qtr	June Qtr	Sept Qtr	Dec Qtr	March Qtr	June Qtr	Sept Qtr	Dec Qtr	March Qtr	June Qtr	Sept Qtr	Dec Qtr
Colombia												
Own	1,130	1,280	1,920	1,920	2,560	2,560	2,560	2,560	3,500	4,000	4,300	4,500
Acquired		378	2,174	3,053	2,716	2,953	3,082	3,189	3,200	3,300	3,400	3,500
Nicaragua		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Peru												
Own								3,000	3,500	3,750	4,000	4,250
Acquired								2,750	2,250	2,000	1,750	1,500
Total Production	1,130	4,658	7,094	7,973	8,276	8,513	8,642	14,499	15,450	16,050	16,450	16,750

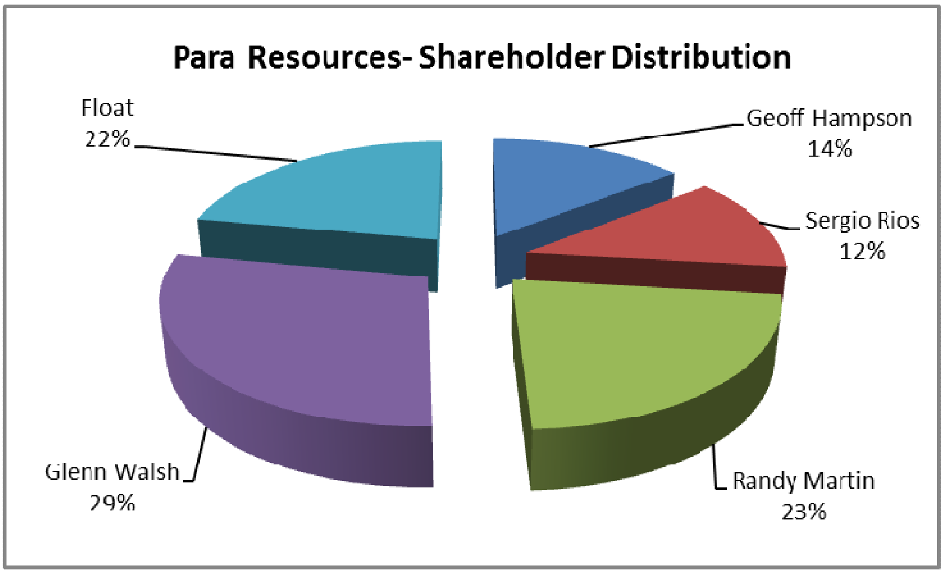
Brazil

This country was originally at the heart of Para's strategy in Latin America and indeed it is named after the Brazilian state where it had planned to centre its operations. However, with opportunities proliferating in other countries in the continent the company has decided to distance itself from Brazil and its Tucuma project there.

Another putative transaction signed back in 2014, to acquire a 100% right, title and interest in and to the Cumaru-Gradaús Gold Project located in Para State was terminated in late 2016.

Shareholders

The company is currently rather closely held and looks like it will become even more so (at least temporarily) with the acquisition of the assets in Nicaragua. In the wake of this event the company has four major holders (three of them directors) with 78% of the total shares on issue. The pie chart below shows the distribution of holdings after the closing of the Nicaragua transaction.



Board & Management

Geoff Hampson, the CEO, Chairman of the Board of Para Resources is a seasoned entrepreneur, with 34 years of experience in mining, oil & gas and manufacturing. He has founded and financed numerous successful private and public companies since 1978, including Peer 1 Network, Inc., where, in the role of CEO, he grew annual revenues from $240,000 to $130 million before selling the company for $565 Million. Other successes include Fibrox Technology Ltd., Live Current Media Inc., Corelink Data Centers, LLC and Pacific Rodera Energy.

Ian Harris, the President and a director, is a senior mining executive with over 20 years' experience in leading worldwide mining projects. He has mining and management experience in over 20 countries, with a wide range of mining methods, commodities, project phases and sizes in some of the most challenging environments.

Randy Martin, COO of Para Resources and of Colombia Milling Limited, is a mining Engineer and Expert in Custom Milling and Mining. He developed Hemco Nicaragua, a 1,200 tpd underground and open pit mine with two gold recovery plants processing ore from legal artisanal miners of which 90% was sold to Mineros SA for US$96.8mn. Constructed and operated the Santa Rosa open pit gold mine in Panama, the La Libertad open pit and underground gold mine in Nicaragua, the San Andres open pit gold mine in Honduras.

Glenn Walsh, a director, started his career as an Engineer working for some of the world's largest engineering and construction companies with involvement in large scale construction projects in Canada, the USA, Vietnam, and South America. Over the last 30 years, he has been a founder and investor in over 25 companies with a primary focus in heavy civil construction, power generation, contract mining, road building and highway maintenance.

Ioannis Tsitos, a director, is a Geophysicist and Businessman with 19 years with BHP Billiton, the last 9 in the position of senior business development manager on minerals exploration with a global reach having worked on exploration deals in 32 countries. He has identified, negotiated and executed in excess of 55 exploration, development and mining agreements and Joint Ventures.

Risks

The risks multiply with the more countries or metals one is involved in.

- Gold price weakness
- Local political difficulties
- Deterioration in relations with artisanal miners
- Financing difficulties
- Inability to expand resource(s)

With Para the risk is currently mainly with the gold price as the countries where it operates have central governments that are pro-mining (and in the case of Colombia El Limon is not in one of the areas with "local difficulties").

Relations with local miners should stay good as having a bespoke processing operation is very much in their interest.

Financing appears to be well-taken care of for the short term and beyond the short term cashflows should carry any further developments along.

As for expanding resources, the concession in Colombia is vast with enormous potential for gold mineralisation (as the artisanal presence proves). The Peruvian concession is more tightly constrained but has only seen limited exploration thus far.

Conclusion

With the retreat of the mining markets post-2011, some regions lost more participants than others with mining companies retreating not necessarily to their own comfort zones, but from those that investors felt most sanguine about in a tough economic scenario. As a result places like Africa, South East Asia, ex-CIS and Latin America lost many miners that had previously prospected there and the regions fell off the radar screens of all except the most die-hard fans of those zones.

Those that persevered hunkered down to one country and/or one property or metal. Now that the pall of gloom has lifted Latin America is stirring from its slumbers. Para Resources is a company formed in the midst of the gloom in the markets to take up opportunities being ignored by those engaged in hand-wringing and navel-gazing elsewhere. In rapid succession Para has entered Brazil, Colombia, Nicaragua and Peru, in the process shedding the brief initial Brazilian focus.

Para Resources is setting itself up now to be not only a microminer, but also a microprocessor/miller. It intends to corral source material from nearby artisanal miners and expedite the conversion of ore into marketable doré. This is a niche that was going begging particularly in countries that have had a long history of artisanal mining. In becoming effectively a mining company (at least in Colombia and Peru) and a milling/pressing service company in all three Latin countries, Para is thinking outside the box and definitely adhering to the mantra of our times of “Production, Production, Production”. As artisanal miners must sell their ore at a discount to its gold content due to lack of alternatives, Para is positioned to make meaningful margins on its processing irrespective of the direction of the gold price. This signals a healthy and growing bottom line.

Up and coming miners in Latin America are hard to come by after the long drought in mining development, and ones with immediate cashflow are as rare as hen’s teeth. Therefore we have added a **Long** position in Para Resources to the Model Mining Portfolio with a 12-month target price of CAD$0.58.


CA:PBR Daily
3/03/17
0.45
0.40
0.35
0.30
0.25
0.20
0.15
0.10
Volume
©BigCharts.com
2.0
1.5
1.0
0.5
0.0
Millions
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
17
Feb

Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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