

## MEXICO MIKE

# Going Over the Counter in elephant country

By Mike Kachanovsky



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Junior mining companies tend to be heavily leveraged to news flow. The release of good news can be the catalyst that powers a stock to make a large percentage gain during a short time, but the other hand, long intervals of limited activity will often have the effect of causing a slow and steady decline in the trading of a stock.

With any speculative play, time literally is money. So there is an obvious bias that investors need to be aware of towards companies where an aggressive schedule of activity will ensure that news will be issued at regular intervals and keep the market interested.

If it is action you want, then look no further than **Paramount Gold Mining** (PGDP-OTCBB, \$2.64, 866-481-2233, [www.paramountgold.com](http://www.paramountgold.com)).

The company has just completed a major equity offering to raise more than US\$21 million, sufficient to provide funding for an aggressive exploration program to continue at its flagship San Miguel project in Chihuahua State, Mexico, a joint venture with Tara Resources. Paramount has earned a 70 per cent interest in the entire project.

It should be noted that western Chihuahua is considered by many to be "elephant country" in terms of the discovery prospects for large new deposits, and quite a few projects are on the go by a variety of players within close proximity to San Miguel. While the region itself is somewhat challenging to operate in due to the mountainous terrain, San Miguel is relatively flat. There is adequate road access to the property and nearby access to both hydroelectric power transmission and water resources.

Historical records indicate

that mining activity has been ongoing within the property area since 1620 on a small scale, and modern mining continued up until about 1968. Some exploration work was completed on an intermittent basis thereafter, but it was not until Paramount Gold gained control of the project in early 2006 that a comprehensive exploration program was launched.

Project geologists have already achieved some notable success. A technical report was recently filed for the project, documenting a silver equivalent resource in the range of 38 million ounces. This was based on the results of a drilling program completed last year, targeting the upper levels of the major vein system on the property. The early indications are very encouraging.

Most of the work completed so far has not probed below depths of 120 metres, but the exploration model projects that these vein systems may actually extend continuously to far greater depths. At the San Luis Mine, a historic mine located roughly in the centre of the property, records indicate high-grade zones had been encountered below a depth of 200 metres.

It should also be noted that the dominant hydrothermal vein system on the property has been mapped at surface over a strike length of more than eight kilometres, and less than a third of that extension has been tested so far. So there is certainly reason to be optimistic about the promise of additional resource discovery both to depth and along strike.

San Miguel is located centrally within a wide corridor of heavy alteration that has produced a number of large deposits in the area and several other very promising exploration targets.

Immediately to the west lies the late-stage Palmarejo-Trojan project controlled by Palmarejo

Gold, and a short distance to the south, the El Sauzel deposit is under development by Goldcorp Inc.

Each of these projects bears striking geologic similarities with San Miguel in the style of mineralization, and each have resources defined amounting to several million gold-equivalent ounces. There is a very real potential that the entire area could develop into a significant silver district.

With the cash now in hand from the last financing, Paramount is ready to embark on an ambitious exploration program amounting to 50,000 metres of drilling to depth and along strike of the vein system.

Given that the company was able to accomplish so much in the first year on a comparatively minor drilling effort and with the additional knowledge of the structural geology that has been gained since then, there is certainly reason to be excited about the prospects for greatly increasing the resources in the current program.

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Up to four drills will be engaged in this effort, and a great volume of assay data will be generated as the core samples are analyzed. A consulting firm has already been retained to develop a three-dimensional resource model and prepare an updated resource estimate for the project compliant with NI 101-43.

Investors should await the results with eager anticipation. Last year, the company released several extremely high-grade assays from the initial drilling work, including one interval of 35.5 g/t gold with 17 g/t silver over 4.0 metres.

That zone represents a gross

metal value of about US\$775 per tonne at current spot prices. The combined metals amount to 1.15 ounces of gold-equivalent resource per tonne, which is outstanding. Several other exceptional drill cores were pulled during that program. And the company expects to continue to encounter similar grades as it launches the current round.

Paramount Gold represents the first and only company with an OTC listing that I have presented for the Mexico Mike Portfolio, but the company is actively pursuing a listing on a more senior exchange and management expects to confirm a move sometime this year.

I believe that will certainly contribute additional upside for the share price and expand the shareholder base to include a much larger group of investors.

With a capital structure approaching 54 million shares on a fully diluted basis, the market capitalization for Paramount Gold should not be considered cheap. However, the share price has consolidated at a level well below the highs of last year and I believe this represents an opportunity for new investors to begin accumulating the stock.

I expect that there is significant upside yet to come, as the aggressive exploration work may yield exciting results and the total resources on the property may increase to the range of its immediate neighbors in the district.

This is not a company where management is going to sit on its hands and the corporate strategy is to rapidly build a world-class resource that could generate an asset value that justifies a much higher trading range. I buy \$10,000 for the portfolio.

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