

Para Closes C\$18.8 Million (US \$14.45 Million) Pre-Paid Forward Gold Purchase Financing with PPG Arizona Holdings LP

written by Raj Shah | August 14, 2018

✖ August 14, 2018 ([Source](#)) – Para Resources Inc. (TSXV: PBR) (WKN: A14YF1) (OTC Pink: PRSRF) (the “Company” or “Para”) is pleased to announce that it, along with its subsidiaries, Z79 Gold (USA) Corp. and Gold Road Mining Corp. has entered into a pre-paid forward gold purchase agreement dated August 3, 2018 (the “PPG Agreement”), with PPG Arizona Holdings LP, an entity affiliated with Pandion Mine Finance LP (“Pandion”). The letter of intent preceding the PPG Agreement was previously announced in the Company’s news release dated July 17, 2018. Under the PPG Agreement, Pandion has advanced US \$14.45 million (C\$18.8 million) to the Company, as pre-payment for the purchase of 44,100 ounces of gold from Para and its subsidiaries (the “Gold Financing”).

Pursuant to the terms of the Gold Financing, the Company has been provided an aggregate upfront pre-payment amount of US\$14.45 million disbursed in one tranche, with a term of 54 months, in exchange for the delivery of up to 44,100 ounces of gold (“Contract Quantity”). No gold is required to be delivered by the Company during the first 12 months. Pandion would pay to the Company, together with each delivery of gold, an amount per ounce of gold equal to the market price at the time, less a specified discount. During the term of the PPG Agreement,

Pandion also participates in the upside of any increase in the price of gold. Pandion may elect to reduce the Contract Quantity by up to 2,000 ounces in exchange for the issuance of up to 6,352,683 common shares of the Company. Under the terms of the PPG Agreement, the Company's obligations are secured by a first priority charge in favour of Pandion on all the assets of the Company and its subsidiary companies, Z79 Gold (USA) Corp., Gold Road Mining Corp., as well as pledges of the shares of Z79 Gold (USA) Corp. and Gold Road Mining Corp.

The use of proceeds of the gold prepayment amount under the PPG Agreement is to finance (i) re-payment of US\$5,100,000 to Mojave Desert Minerals, LLC to extinguish the secured notes used in the acquisition of the Gold Road mine and processing facility in Arizona, U.S.A. (as disclosed in the Company's news release of August 8, 2017), (ii) the development and restart of the Gold Road mine, (iii) general working capital, and (iv) the payment of certain outstanding liabilities and/or debt of Para.

PPG Arizona Holdings LP as lender withheld US\$450,000 from Para in satisfaction of the non-refundable origination fee.

Furthermore, the Company is pleased to announce that concurrently with the close of the Gold Financing, the Company has restructured all outstanding shareholders' loans previously made to Para by Conex Services Inc. and Conterra Construction LLC, companies controlled by Glenn Walsh, a director and significant shareholder of the Company. The outstanding debt amounts of \$10,652,533 CAD were restructured into convertible subordinated notes having a face value of \$10,652,533 CAD, convertible into common shares of the Company (the "Convertible Subordinated Note"). The issue date of the Convertible Subordinated Note is August 3, 2018 and it has a term of 60 months from the issue date. The principal amount of the Convertible Subordinated Note may be converted into common

shares of the Company by the holder giving 15 days written notice at the conversion price of \$0.30 CAD per share between months 1 and 36 and \$0.40 CAD per share between 36 months plus one day and 60 months.

Participation of an insider of the Company in the Convertible Subordinated Note financing constitutes a related-party transaction as defined under Multilateral Instrument 61-101 (Protection of Minority Security Holders in Special Transactions). Because the Company's shares trade only on the TSX-V, the issuance of securities is exempt from the formal valuation requirements of Section 5.4 of MI 61-101 pursuant to Subsection 5.5(b) of MI 61-101 and exempt from the minority approval requirements of Section 5.6 of MI 61-101.

Para's CEO, Geoff Hampson, states, "The completion of this financing will provide the financial resources expected to put the Gold Road Mine into production in October of this year. The previously published PEA by RPM Global of Denver, Co, reported that achieving expected production 35,000 ounces per year from the Gold Road Mine would require an investment of \$5.7 million. The Pandion financing more than covers the anticipated capex and startup costs. Gold Road is expected to achieve full production in Q2 of 2019." In addition, Hampson states, "We are also planning to use some of the proceeds of this financing in an exploration program to expand the current resource in the Gold Road Mine thereby extending the life of mine. The adjacent Tr-Ue vein system also holds good potential for a higher-grade extension of the Gold Road Resource."

The report was prepared under the direction of Mr. Richard Kehmeier, Principal Process Engineer with RPM Global. Mr. Kehmeier is a Qualified Person under NI 43-101 and has reviewed and approved the technical information contained in this news release.

Further to the News Release from July 10, 2018 regarding the close of the Private Placement, the Company announces that additional Finder's fees in cash and 20,550 non-transferrable finder's warrants (having the same terms as the private placement warrants) were issued to a registrant in connection with the closing. All securities issued in the Private Placement are subject to a hold period of 4 months from closing.

ABOUT PARA RESOURCES:

Para is a junior producing gold mining company. Para owns approximately 82% of the El Limon project, in Colombia, which in addition to its current underground operation is purchasing mineralized rock mined by small artisanal miners working on the Company's property. The El Limon and OTU properties also have exploration and development upside. The Company also owns 88% of the Gold Road Mine in the Oatman District of Arizona. RPM Global recently produced a NI 43-101 Technical Report and PEA, establishing a Mineral Resource estimate and a good economic outlook for the Gold Road Mine. Production at Gold Road is expected to commence in October 2018. Para will continue to take advantage of current market conditions to acquire and develop additional highly economic, near-term production assets that have strong exploration and development upside.

ABOUT PANDION MINE FINANCE, LP:

Pandion is the general partner of PPG Arizona Holdings LP and is a mining-focused investment firm backed by MKS PAMP Group and Ospraie Management, LLC that provides flexible financing solutions to developing mining companies.

Cautionary Notes:

This press release contains forward-looking information under Canadian securities legislation. Forward-looking information.

Generally, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. All information contained in this news release, other than statements of current and historical fact, is forward looking information. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Para to be materially different from those expressed or implied by such forward-looking statements, including but not limited to those risks described in the annual information form of Para and in its public documents filed on SEDAR from time to time. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Although management of Para has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There are no assurances Para will be able to deliver the Gold amounts contemplated by the PPG Agreement, and actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Para does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Readers should also review the risks and uncertainties sections of Para’s annual and interim MD&As.

On behalf of the Board of Directors

"C. Geoffrey Hampson"

C. Geoffrey Hampson, Chairman, Chief Executive Officer and Director

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