

# A 'Stellar' Opportunity

**Please Note:** The name of American Stellar Energy has changed to Tara Gold as anticipated. The new stock ticker symbol is TRGD.PK

**Also, see [Daily and Weekly Analysis of AMRS](#) by Roy Martens**

If any of you aren't already aware of the recent nosebleed rise in price of Paramount Gold's stock, I suggest you take a look ([PGDP.PK 6-month Chart](#)). I myself was unaware of Paramount Gold until mid-December of this past year, when I was fortunate enough to acquire a position at \$.86/share. Paramount Gold now trades at \$3.58/share just a few weeks later (closing 1/18/06). Now don't misunderstand me, I'm not promoting Paramount Gold, this report is about the little known **American Stellar Energy** ([AMRS.PK](#)). I've since sold my position in Paramount Gold to lock in gains, and I've reinvested a portion of that money into AMRS.

One thing to recognize is that Paramount has the ability to raise substantial amounts of money in short order, as evidenced by their two recent above-market financings, which together raised \$1 million. This is extremely good news for their JV partners, and AMRS is partnered with them in 2 of its 4 properties.

AMRS currently trades at \$0.099/share (closing 1/18/06), and has about 62 million outstanding shares. This equates to the very modest market capitalization of \$6.14 million. Contrast this to Paramount Gold's over 30 million outstanding shares at \$3.58, making for a market capitalization of \$107.4 million.

The **First** Property in which American Stellar Energy is Joint-Ventured with Paramount Gold is the **San Miguel Groupings:**

The San Miguel District is made up of several concessions and past producing mines known individually as San Miguel (the head of the group), Santa Clara, La Blanca, San Luis, El Carmen, Swanick, Sangre, Sangre De Cristo, Guadalupe De los Reyes, San Juan, El Rosario, Empalme, Las Tres S.S.S., and Las Tres B.B.B.

The JV agreement will allow Paramount Gold to acquire a 70% interest in the property, AMRS retaining their 30%. Paramount currently has the rights to 25% of the property. In order to exercise their full rights, Paramount must:

- Pay AMRS a total of \$400,000 (\$300,000 paid thus far) to acquire 35% interest.
- Issue to AMRS a total of 700,000 shares of their stock. (300,000 are being issued to AMRS at this time)
- Spend a total of \$3.5 million on exploration work, plus other payments.
- Pay AMRS \$50,000 or an equivalent value of its shares annually.

Paramount is planning to commence an extensive drill program on the San Miguel property in February of 2006.

The **Second** Property in which American Stellar Energy is Joint-Ventured with Paramount Gold is **La Blanca** (adjacent to San Miguel):

At La Blanca, previous drilling indicates a block of over 6 million tonnes, grading 4.7 ounces silver per ton, and .013 ounces gold per ton. That's over 28.2 million ounces silver and 78,000 ounces gold, of which bench mark metallurgical testing shows that recoveries of 90% are possible using flotation (a relatively cheap and easy way to extract the gold and silver).

With 90% recovery, that's 25.4 million ounces of silver and over 70,000 ounces gold.

Bill Reed, Paramount's exploration officer, stated that "We are planning an extensive drill program that I believe will not only validate this resource, but **add significantly to it.**"

In fact, it has been concluded by Paramount Gold that tonnage can be increased **2-3 times** by exploring below the current level of penetration.

Bill Reed was the former Chief Geologist (1998-2004) for the Mexican subsidiary of Hecla Mining.

Paramount is planning to commence an extensive drill program on La Blanca in February of 2006.

This agreement allows Paramount to acquire a 70% interest, AMRS retaining their 30%. In order to fully exercise their rights, Paramount must:

- Pay an initial \$50,000 to the property owner (done).
- Pay the property owner an additional \$960,000 within a 10-month period commencing January 31, 2006.
- Make **80%** of all future property payments.

If Paramount chooses to exercise its full 70% interest in both properties before year-end 2006 (which seems very likely), then the total compensation to AMRS would be:

- 700,000 shares of PGDP, currently (closing 1/18/06) valued at \$2.51 million US.
- \$50,000 US yearly.
- 80% of all future property payments on La Blanca.
- A virtual free ride on exploring the historically prolific San Miguel Groupings as Paramount will be spending \$2.5 million on exploratory costs.

The 700,000 Paramount shares alone represent **over 40% of AMRS's current market capitalization!** That's pure profit which could be realized in less than 1 year from now!

There is a hold time of 1 year on the 700,000 shares. As to what might be done after this period, I can think of two options:

- Sell them to fund operations
- **Distribute them to shareholders of AMRS as a dividend.**

American Stellar Energy also owns 2 other properties:

### La Currita

- **Active mine**, with a 150 ton/day mill.
- Currently generating revenue of about \$110,000/month.
- With the proposed plans to upgrade the mill and ramp up production to full capacity (currently running at about one-half), **La Currita operations should easily cover all company expenses in the future and still show a profit.\***

\*AMRS has very moderate overhead costs with a high percentage of all money going into the ground.

### La Millionaire

- Looking for a strong Joint Venture Partner.
- Outcrop portion of vein estimated at 1.8 million tonnes, grading at 8g/tonne gold.
- Mine tailings remaining from a previous small mining operation are estimated to be 29,000 tonnes at 9.6g/ton gold.
- Combined, the above numbers indicate that there remains at least 472,000 ounces gold yet to be exploited, with a fraction of the property being explored to date.

It's only been a little over 7 months since Francis R. Biscan, Jr., President of American Stellar Resources, visited Mexico and acquired the four aforementioned properties in May of 2005. With 2 joint ventures already completed, and the continuing operation of the La Currita mine (it was already producing when acquired), this represents some fast and impressive work. And it appears we can expect more of the same in the future.

Look for a name change in the near future. The probable change will turn what is now American Stellar Energy to Tara Gold Mining Corp. This change alone will bring much more exposure to the company as it clarifies the company's position and objective. The "Energy" in American Stellar Energy used to stand for the oil and natural gas properties\* that the company once owned, but they have since been sold in order to focus on the mining of silver and gold in Mexico.

\*Currently, management has no plans to become involved again in oil and natural gas properties.

Francis Biscan has a number of contacts in Mexico, and this allows him to scope out attractive properties and bring them to the table for Paramount and others to consider. Thus, the plan of the American Stellar is simple: discover promising mining opportunities, work out a JV with a partner, and begin realizing significant cash-flow once the properties are brought into production or bought-out. Thus, when all is said and done, AMRS will be able to reap significant profits while spending very little capital.

It's simply amazing that Paramount is valued almost **18 times** more highly than American Stellar, when their JV arrangements call for a 70/30-split interest. Furthermore, American Stellar Energy has two additional properties (100% owned), including a **producing** mine, as well as one other property that is in the works.

In contrast, Paramount Gold has one other property, the Linda Property in Peru, within which they can only become 51% operator according to the terms of the JV arrangement between Minera ABX Exploraciones (a subsidiary of Barrick Gold) and themselves. Besides, this Peruvian property seems to be in an early stage of development, and it also appears that the majority of Paramount's value lies in its two Mexican properties, within which they are joint-ventured with American Stellar Energy.

## Valuation

If AMRS were to be valued at 43% of Paramount Gold (30/70 relationship), it would then trade at around \$.74/share, an increase of more than 700% over the January 18, 2006 closing price.

I do not think this price is unreasonable, and I attribute the delay of parallel price appreciation with Paramount Gold to a lack of PR exposure. This problem should be solved in the near future, because as soon as revenue starts to flow in and AMRS becomes a fully reporting company, Francis Biscan plans to hire a respectable PR firm with cash. The delay of hiring a PR firm up till now was the result of Francis Biscan not wanting to dilute the share count any further.

For another valuation exercise, let's say that Paramount exercises their full 70% rights to La Blanca, begins their intensive exploration program, and eventually drill proves what could potentially represent 100-150 million ounces of silver. Using 125 million ounces, at a 1:60 price ratio between gold and silver (i.e. \$9 vs. \$550), the gold equivalent within La Blanca would amount to almost 2.1 million ounces.

Once having accomplished the exploratory work necessary to prove the in-ground reserves/resources, the goal of both Paramount and American Stellar would be to sell the property to an industry major for a price of around \$125 per ounce of gold equivalent. Using the \$125/ounce buyout price and 2.1 million ounces of gold equivalent, a profit of \$262.5 million dollars would be realized from the sale of the La Blanca property, minus any exploration costs in excess of the budgeted \$2.5 million (the obligation of Paramount Gold). **Split 70/30, American Stellar Energy would receive almost \$79 million after the sale, an amount equal to nearly 13 times their current market capitalization.** And remember that La Blanca is only one of American Stellar's four properties!

Francis Biscan, President of American Stellar Energy, owns about 12% of AMRS's outstanding shares, and he has avoided dilution by investing hundreds of thousands of dollars of his own money into his company. He doesn't plan on raising any significant funds until substantial price appreciation occurs, and there is even a strong possibility that such fund raising will never again be necessary due to very low cash obligations, which are currently:

- \$65,000 in the next six months for the San Miguel property payment (paramount pays the remaining 35,000). This payment will again come due after an additional six-months, but more than likely the payment will lesson to either \$45,000 or \$30,000, since Paramount is likely to increase their percent interest in San Miguel.
- After November 30, 2006, %658,000 spread over the next 3 years for the La Blanca

property (Paramount pays the remaining \$2,632,000)

That amounts to a maximum cash obligation of \$130,000 over the next 1-year period, and more than likely it will be closer to \$110,000. That's it, and it's entirely possible that the profit coming in from the La Currita mine will be able to pay for this, meaning no need for further dilution.

### **The Quick Facts:**

There are currently:

- **No** long term debt obligations.
- **No** options outstanding.
- **No** preferred shares outstanding.
- 1.4 million warrants exercisable at \$.12/share, all expiring 3/15/06.

To conduct further due diligence visit:

[www.americanstellarenergy.com](http://www.americanstellarenergy.com)

[www.paramountgold.com](http://www.paramountgold.com)

Active Message Boards:

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