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Prairie Provident a steal, even before figuring in prospect of arbitration pay-out

Mackie Research believes Prairie Provident Resources Inc (TSE:PRR) is worth taking a look at ahead of a forthcoming arbitration hearing.

The hearing relates to the expropriation of one of Prairie's blocks by the Quebec government in 2011.

Provident is seeking damages of US\$188.9m and although it may not get the full amount Mackie reckons damages of between US\$25m and US\$60m "would certainly be in the realm of possibility".

Based just on its Alberta assets, Prairie is undervalued by Mackie's reckoning, so anyone buying the shares is getting the chance of an arbitration windfall for free.

"There is no value in the current share price for PPR's Quebec assets or for the potential for a favorable ruling from the arbitration process. Investors may not be aware that a decision by the tribunal could occur soon, and that if the ruling is in PPR's favor, it could have a major positive impact on the stock price," Mackie advised as it reiterated its US\$2 target price.

Shares in prairie Provident currently trade at C\$0.495.

Endeavour Silver's production guidance jibes with broker's bullish projections?

Broker HC Wainwright has reiterated its 'buy' recommendation on Endeavour Silver Corp (NYSE:EXK, TSE:EDR) after the miner issued production guidance for 2018 yesterday.

Endeavour expects consolidated silver equivalent production in 2018 to reach between 10.2 and 11.2 million silver equivalent ounces (SEO's).

"We note that the mid-point of this range is approximately 20% higher than silver equivalent production of 8.9 million SEO's in 2017. We attribute the expected YoY [year-on-year] increase in production to steady or improved production at each of the company's operating mines, coupled with initial production from El Compas by the end of 1Q18," the broker said.

It noted that an improved production profile is expected to result in lower cash and all-in sustaining costs (AISC).

Endeavour estimates that cash costs per ounce of silver produced, net of gold by-product credits, should total \$6.00 to \$7.00 in 2018. The company also expects AISC per ounce of silver produced, net of gold by-product credits, to come in between \$15.00 and \$16.00.

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"We note that our production expectations for 2018 remain in-line with Endeavour's guidance, as we expect total combined production to reach 10.7 million SEO's adjusted for the 75:1 silver to gold ratio utilized by the company (vs. 65:1 in our model)," Wainwright said in a research note.

The broker expects growth in 2018 to be driven by a combination of strength from existing mines augmented by a ramping up of operations at El Compas.

Meanwhile, Endeavour plans to complete a pre-feasibility study for Terronera over the next few months and intends to obtain dump and tailings permits for the project, having already obtained permits for the mine and the plant.

Wainwright expects Terronera will be commissioned sometime in the second half of next year, assuming the above permits are obtained and a positive production decision is made this year.

Wainwright ascribes a value of C\$6 to Endeavour's shares; the stock currently trades at C\$3.04.

Its valuation is based on a discounted cash flow (DCF) model of the firm's three operating office and El Compas.

"We utilize an 8.0% discount rate at Guanaceví and Bolañitos, and a more conservative 10% discount rate for El Cubo and El Compas. These figures are in-line with similar assets in similar jurisdictions which carry equal geopolitical risks," the broker said.

It is holding fire on a DCF for Terronera until it has more visibility as to the future production capability of the asset.

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