

**REPORT ON THE  
SAN MIGUEL PROJECT  
GUAZAPARES MINING DISTRICT  
CHIHUAHUA, MEXICO**

**for**

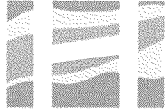
**PARAMOUNT GOLD AND SILVER CORP.**

**Report No. 920**

A.C.A. Howe International Limited  
Toronto, Ontario, Canada

Doug Roy, M.A.Sc., P.Eng.  
Ian D. Trinder, M.Sc., P.Geo.  
Gary Lustig, M.Sc., P.Geo.

Effective Date: June 13, 2008



**A.C.A. HOWE INTERNATIONAL LIMITED**  
Mining and Geological Consultants

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Author:

**Doug Roy, M.A.Sc., P.Eng.**  
Associate Consulting Engineer

*"Signed and Sealed"*

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**Ian D. Trinder, M.Sc., P.Geo.**  
Associate Consulting Geologist

*"Signed and Sealed"*

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**Gary Lustig, M.Sc., P.Geo.**  
G.N. Lustig Consulting Ltd.

*"Signed and Sealed"*

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## 1 SUMMARY

This geological report ("Report") was prepared by A.C.A. HOWE INTERNATIONAL LIMITED ("Howe") at the request of Mr. Christopher Crupi, CA, President and Director of PARAMOUNT GOLD AND SILVER CORPORATION ("Paramount"). This report is specific to the standards dictated by National Instrument 43-101 and Form 43-101F (Standards of Disclosure for Mineral Projects) in respect to the San Miguel Project ("Project") and focuses on Howe's independent mineral resource estimate on the various mineralised areas within the Project.

The San Miguel Project is situated in the Guazapares mining district, Chihuahua, Mexico within the Sierra Madre Occidental gold/silver belt, approximately 250 kilometres (km) (400 km by road) southwest of the city of Chihuahua, capital of Chihuahua State. The Project is adjacent to village of Guazapares approximately 13 km north of the town of Temoris.

Mineralisation at the San Miguel project consists of multi-phase epithermal, low to intermediate sulphidation, silver-gold-(lead-zinc) bearing quartz vein and hydrothermal silicified breccia deposits that occur in north-northwest trending, steeply dipping complex fault zones. Quartz veins, silicified breccias, and quartz veinlet stockworks are distributed in an en echelon fashion along eight kilometres of strike length in the Guazapares Fault structure and within the parallel Batosegachic Fault structure approximately 3 km to the west. This type of mineralisation is typical of the Sierra Madre Occidental silver-gold metallogenic province and has been exploited in the region since early Spanish colonial times.

Mineralisation at the San Miguel Project is hosted by early Tertiary age Lower Volcanic Complex rocks - propylitically altered andesites and lesser rhyodacitic volcanic tuffs and related hypabyssal intrusions.

Mining in the Guazapares district, which includes the San Miguel project area, reportedly dates back to the 1600's; however, the much of the historical mining took place between 1860 and 1900. This mining exploited only the highest grade, near-surface, oxidized portions of the mineralised structures, producing silver and minor gold. The Alaska-Juneau Company operated the San Luis mine from 1959 to 1968 as a high-grade underground operation with a 150 tons-per-day mill. Sporadic exploration has since taken place in the Project area, including the Earth Resources/Penoles joint venture in the mid 1970's. Paramount began acquiring concessions in 2005 and initiated their ongoing program of geologic mapping, trenching and diamond drilling in the spring of 2006.

Paramount has completed 69 trenches totalling 3899 metres in various exploration areas along the Guazapares Fault structure. The trenches have been mapped and sampled and have guided diamond drilling. Channel sampling of surface outcrops and roadcuts was also completed at the San Miguel vein in the Batosegachic Fault structure approximately 3 km west of the Guazapares Fault.

Paramount initiated diamond core drilling in April 2006. As of April 30<sup>th</sup>, 2008, 176 HQ size diamond drill holes (2.5 inch core) have been completed totalling 34,926 metres. 132 of the holes have been drilled in mineralised areas along the Guazapares Fault structure and 44 holes have targeted the San Miguel vein in the Batosegachic Fault. Drill core from all holes has been photographed, logged, split, sampled, and analysed by ALS-Chemex Laboratory for silver, gold, lead and zinc, as well as a suite of trace elements. The diamond drill program is ongoing, with two diamond drills operating on the San Miguel vein at the time of Howe's site visit to the Project. Paramount's QA/QC results to date indicate that there are no major problems with the accuracy and precision of the analyses, and the current sampling and analytical protocols are appropriate.

Ground magnetic and IP geophysical surveys were conducted over the Project area from September 2007 to March 2008. At the time of Howe's site visit, Paramount was integrating the geophysical data with

surface geologic mapping, drilling and trenching data into a Vulcan™-based model. It is anticipated that the integration and interpretation of the multi-disciplinary data will generate additional drill targets.

At the end of April 2008, Paramount initiated preliminary metallurgical testing of selected mineralised drill core material. Paramount prepared 26 composite samples (archived 10 mesh coarse assay rejects) from six areas at the San Miguel project for 48-hour direct cyanidation tests. Testing is ongoing and results are pending.

Howe has reviewed the San Miguel project data provided by Paramount, including the drilling database, has visited the site and has reviewed sampling procedures and security. Howe believes that the data presented by Paramount are generally an accurate and reasonable representation of the San Miguel project mineralisation.

Paramount's exploration to date has delineated significant silver and gold mineralisation with accompanying lead and zinc in a series of en echelon quartz veins, quartz-pyrite stockwork veinlets and silicified hydrothermal breccias hosted by the north-northwest striking Guazapares Fault structure over a strike length of greater than seven kilometres. The mineralisation is broken into distinct mineralised areas by intersecting structures with minor displacement. A similar multi-phase quartz vein and quartz cemented vein breccia system known as the San Miguel vein is hosted by the subparallel Batosegachic Fault approximately 3 km west of the Guazapares structure.

Paramount supplied the data that was used to carry out the resource estimate. That data was verified, validated and error-checked before and after being imported to Micromine geological and mine planning software. Several minor errors were discovered and corrected.

The received data was oriented using UTM (NAD 27 Mexico) coordinates. Sample data was rotated and shifted for ease in interpretation and modelling. The data was rotated such that the mineralised zones were oriented north-south.

A large number of samples (6,815) that had previously been assayed using various methods were re-assayed using the now-standard (for Paramount) AG-OG62 (4 acid digestion) procedure. Of the samples greater than 25 g/tonne silver, the re-assays represented an average 10 g/tonne increase over the original assays. On average, grades in that category increased by an average of 31 %. Re-assays were imported to the Micromine assay database table, replacing the corresponding original assays.

Mineralised zones were outlined to enforce geological control during block modelling. Cross-sections that were provided by Paramount were used as a guide to interpretation. Those sections were chiefly used to guide the dip of the zone outlines. A 25 g/tonne cut-off grade for silver equivalent metal was also used to guide the outlining process. Mineralised zones (247 in total) were outlined in eight main zones on 116 cross-sections.

The natural log statistics of regularised (over a one metre interval) samples within the interpreted mineralised zones were examined. These were the statistics of the "raw," regularised samples within the zones, using no cut-off grade. Silver, gold, copper, lead and zinc were lognormally distributed. For silver, the average sample grade was 52 g/tonne with a relatively low log-standard-deviation of 1.5. For gold, the average grade of all samples within the interpreted zones was 0.45 g/tonne.

At the time of report writing, specific gravity ("SG") measurements had been taken for 364 samples from various rock types in the San Miguel and San Antonio zones. SG ranged from 2.42 to 2.52. The San Miguel zone had an average SG of 2.43. Check measurements were made of the SG measurements. Pieces of core that were adjacent to, but within the same sample as the original SG measurement were selected and analysed by an independent laboratory. There were no large differences, nor were the check

measurements consistently higher or lower than the original measurements. Therefore, it was concluded that the original measurements were reliable.

Variography was carried out. The fit of the models to the silver, gold and to a lesser extent, copper data was good. The fit of lead and zinc models was not as good. Because of the good model fit for silver and gold data, it was decided that ordinary kriging would produce better results than inverse distance (“ID”) weighting.

A single block model was created to contain the mineralised zones. Wireframes, built from the zone outlines and coded with the outline and zone names, provided geological control to the block model. Sub-blocking was used to provide greater geological resolution than the 5x5x5 metre block size. Two sub-blocks in the east and elevation dimensions provided a geological resolution of 2.5x2.5 metres in those dimensions.

Block grade estimation was carried out using ordinary point kriging. Regularised (over one metre intervals) samples that occurred within the interpreted mineralised zones were interrogated. Using OK with non-transformed samples produced a comparable distribution between blocks and the original samples.

At a cut-off grade of 25 g/tonne of silver equivalent, undiluted Indicated Resources totaled 1.36 million tonnes grading 71 g/tonne silver and 0.27 g/tonne gold. Inferred Resources totaled 29.5 million tonnes grading 67 g/tonne silver and 0.43 g/tonne gold.

For illustrative purposes, gold equivalent ounces were calculated by multiplying silver equivalent ounces by the ratio of their prices (18/950 or 0.019). When base metals are included, there were 80,000 ounces of gold equivalent in the Indicated Resource category and 1.8 million ounces in the Inferred category. Although gold equivalent ounces were presented, the reader should note that silver is the most economically important metal.

| Overall Summary, 25 g/tonne Ag-Eq Cut-off |                                 |      |                            |   |                    |                    |    |      |    |       |       |                           |                           |                           |
|---|---------------------------------|------|----------------------------|---|--------------------|--------------------|----|------|----|-------|-------|---------------------------|---------------------------|---------------------------|
| Resource Category                         | Volume Above                    |      | Tonnes Above Cut-off Grade | Average Grade of Material Above Cut-off (g/tonne) |                    |                    |    |      |    |       |       | Ounces Ag-Eq <sup>1</sup> | Ounces Ag-Eq <sup>2</sup> | Ounces Ag-Eq <sup>3</sup> |
|   | Cut-off Grade (m <sup>3</sup> ) | SG   |                            | Ag-Eq <sup>1</sup>                                | Ag-Eq <sup>2</sup> | Ag-Eq <sup>3</sup> | Ag | Au   | Cu | Pb    | Zn    |                           |                           |                           |
| Indicated                                 | 560,000                         | 2.43 | 1,360,000                  | 86  | 95                 | 103                | 71 | 0.27 | 78 | 1,100 | 2,100 | 3,700,000                 | 4,200,000                 | 4,500,000                 |
| Inferred                                  | 12,100,000                      | 2.44 | 29,500,000                 | 90  | 101                | 110                | 67 | 0.43 | 86 | 1,200 | 2,500 | 85,000,000                | 96,000,000                | 104,000,000               |
| Gold Equivalent Ounces <sup>4</sup> :     |                                 |      |                            |   |                    |                    |    |      |    |       |       |                           |                           |                           |
| Indicated                                 |                                 |      |                            |   |                    |                    |    |      |    |       |       | 70,000                    | 80,000                    | 85,000                    |
| Inferred:                                 |                                 |      |                            |   |                    |                    |    |      |    |       |       | 1,600,000                 | 1,800,000                 | 2,000,000                 |

Notes:

- Expressed in units of silver equivalent considering **silver and gold only** considering differential prices and smelter return values.
- Expressed in units of silver equivalent considering **silver, gold, copper, lead and zinc** considering differential prices and smelter return values.
- Expressed in units of silver equivalent considering silver, gold, copper, lead and zinc **but does not** consider possible differences in smelter return values.
- Included for illustrative purposes only. From an economic standpoint, silver is the most economically important metal.

Drilling has outlined a zone of higher-grade mineralisation at the San Miguel vein structure referred to by Paramount as “Clavo 99”. Drilling to date has shown that “Clavo 99” persists for nearly 400 metres below the surface and has a strike length of at least 650 metres at this depth. “Clavo 99” mineralisation remains open to the southeast and at depth, and its northwest limit is not well defined. The San Miguel vein structure continues to be Paramount’s current exploration focus at the San Miguel project with two

diamond drills actively delineating the “Clavo 99” mineralised shoot and testing the extensions of the San Miguel vein.

Within Paramount’s concessions, the Batosegachic Fault structure trends north-northwest of the “Clavo 99” mineralisation for an additional 1 km. This section of the structure remains relatively untested and exploratory drilling is warranted. Integration of the magnetics and IP geophysical surveys may assist in targeting further drilling on this structure.

The Guazapares structure is highly prospective and additional exploratory and infill drilling is warranted to follow-up the mineralisation intersected in surface trenches and drill holes to date both along strike to the NNW and SSE and down-dip. Integration of the magnetics and IP geophysical surveys with the drill hole data in Vulcan software should assist in targeting further drilling on this structure.

Howe recommends that Paramount reconstruct its sample database due to possible errors and omissions noted and changes and additions made to the database by Howe during the resource estimate.

The results of Paramount’s exploration to date justify additional detailed infill and step-out drilling of the known targets in the San Miguel Project area. Variography indicates that infill drilling should be carried out at a maximum drill spacing of 30 m. This drilling should provide data necessary to move at least a portion of the current Inferred Resource into Indicated and possibly Measured categories. Exploratory trenching and drilling will also be required to follow-up anticipated targets to be generated from the IP and magnetic geophysical interpretation.

Metallurgical testing should continue with future work guided by preliminary testing currently underway.

Baseline environmental studies should be initiated. Given the long history of mining in the area, it would be in Paramount’s best interest to establish the baseline information prior to creating significant surface disturbance.

Paramount plans to continue stepout and infill drilling at the San Miguel vein and associated “Clavo 99”. A total of approximately 17,510 metres diamond drilling and 7,110 metres RC drilling have been budgeted for 2008. Additional drilling is also planned for four areas on the Guazapares structure where approximately 28,910 metres diamond drilling and 14,490 metres RC drilling are budgeted for 2008. Approximately 14,180 metres diamond drilling is also budgeted for the Santa Clara, Guadalupe de los Reyes and San Juan-Rosario concession areas.

Additional metallurgical testing and petrographic studies are also budgeted along with preliminary baseline environmental studies.

Paramount’s 2008 budget for the San Miguel Project totals approximately \$20,398,000 as outlined in Table 20-1. The budget for the remaining portion of 2008 (May to December) is approximately \$14,433,000.