



The Bull & Bear

FINANCIAL REPORT

Paramount Gold Amasses District-Scale Gold/Silver Property in Mexico's Sierra Madre

Drilling Program Aims to Significantly Expand 2.65 Million Ounce Gold Equivalent Resource

The famed "treasure" of Mexico's Sierra Madre Mountains is much more than a legend as evidenced by a plethora of producing gold mines and most recently the discovery of a significant new gold mineralization zone by Paramount Gold & Silver Corp. (NYSE AMEX: PZG; TSX: PZG).

In just a few years, Paramount Gold very deliberately and systematically accumulated a district-sized chunk of some of the richest mining ground in Mexico. The company now controls more than 540 square miles (140,000 hectares) in the midst of the Sierra Madre gold-silver belt in Chihuahua, Mexico.

In November 2008, the company's NI 43-101-compliant resource at its flagship San Miguel project increased to 2.645 million gold equivalent ounces. Additional drilling this year is expected to further increase that number to at least 5 million gold equivalent ounces.

Mining in the Sierra Madre began in the 1620s with Spanish colonials, and historically has produced 40 million ounces of gold and 2 billion ounces of silver. The area did not open to modern exploration and development until the 1990s, and is largely responsible for Mexico's 2007 status as the world's 14th largest producer of gold and second highest silver producer.

Paramount Gold's 100%-owned San Miguel and Temoris Projects virtually surround Coeur d'Alene's Palmarejo project, purchased in 2007 for \$1.1 billion. Current proven and probable reserves at Palmarejo total 63.6 million ounces of silver and 2.3 million ounces of gold. This year, Palmarejo is expected to produce 5.3 million ounces of silver and 72,000

ounces of gold.

Other significant operating mines are close neighbors to Paramount Gold's San Miguel property: Dolores (Minefinders), Mulatos (Alamos Gold), Ocampo (Gammon Gold), and El Sauzal (Goldcorp) – Mexico's largest gold producer in 2007, yielding over 300,000 ounces of gold.

The proven richness of Mexico's Sierra Madre puts the potential value of Paramount Gold's San Miguel project into even greater and more intriguing perspective.

San Miguel Project Forms Foundation of Paramount's District Gold Play

Paramount Gold began assembling its Sierra Madre property package in 2005, starting with the San Miguel groupings of past-producing mines, including the high-grade, former-producing San Luis Mine. The company then staked the adjacent Andrea concession, strategically located between the San Miguel project and Goldcorp's El Sauzal gold mine.



San Miguel Gold Project...

Paramount Gold is planning an aggressive drilling program on its 140,000-hectare San Miguel property in Mexico's Sierra Madre. The company's goal is to establish by the end of 2009 a minimum 5-million ounce gold resource – double the current resource.

The company's Sierra Madre land holdings were further expanded with the acquisition of a 100% interest in the 54,000-hectare nearby Temoris Project from Garibaldi Resources, as well as title to the underlying concessions of the Morelos gold and silver project optioned to Garibaldi. The Morelos property encompasses a historic mining area about 25 kilometers southeast of Goldcorp's El Sauzal Mine. The practical result of these land expansions is that Paramount now controls most of the ground to the east and north of Palmarejo.

Paramount Gold's huge land position clearly qualifies as a district on its own. Within the boundaries of this Guazapares Mining District are three distinct projects – the San Miguel project, the Andrea project, and the new Temoris project, as well as numerous new targets, prospective areas and regional fault systems.

"Our goal from the beginning was to accumulate a large project capable of hosting a 5-10 million ounce gold reserve," says Paramount Gold CEO Christopher Crupi.

Exploration Program to Expand Gold Resource Prior to Pre-Feasibility

The company is well on its way to reaching that goal. Since Paramount Gold first began exploring its San Miguel property in 2006, it has drilled more than 213 holes totaling 47,560 meters, dug 3,743 meters of exploration trenches, and increased its resource base by over 250%.

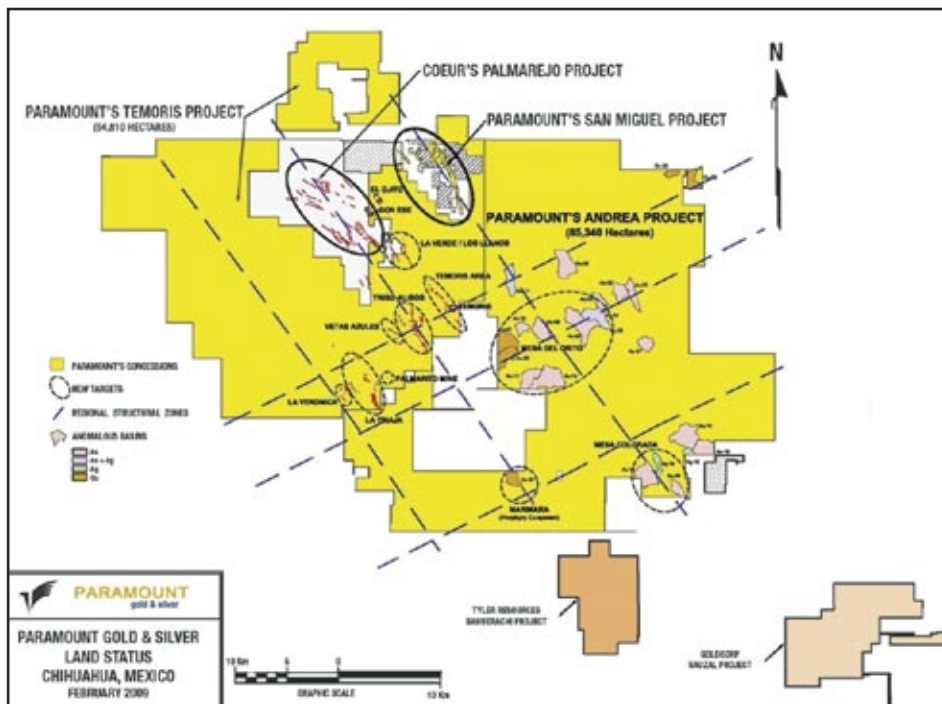
Just two sub-parallel, high-grade mineralized zones – the Clavo 66 (4.87 gpt gold equivalent) and Clavo 99 (4.24 gpt gold equivalent) zones account for a 1.512 million ounce resource of gold and gold equivalents – more than half of Paramount's total resource estimate.

"This resource demonstrates the strength of the San Miguel mineral system, which is open at depth and on strike," says Crupi. "There is significant potential to increase the size and grade of the high grade deposits which become gold-rich at depth."

The San Miguel project encompasses four distinct zones with very different geological characteristics: the San Antonio Zone, the San Luis Mine Zone, the Montecristo Zone and the San Miguel Zone. The area is characterized by gold and silver mineralization occurring in quartz veins

Aggressive Exploration Program Underway at San Miguel Project in Mexico





and breccias within west-northwest and north-northwest striking faults.

During the balance of 2009, the company will continue exploring San Miguel to gather data for a scoping study that will precede a full pre-feasibility study. The company's goal is to increase both the size and confidence of the San Miguel resource base with a particular focus on gold.

Reconnaissance exploration on the nearby Andrea project already has identified 25 targets, including multiple porphyry gold, silver and copper targets. Further development of an identified copper system in the southern portion of the property is the topic of current discussions with potential joint venture partners.

Paramount Gold also plans to strategically enhance its overall land position throughout the region through either direct acquisitions or joint ventures.

In addition, the company recently entered an option agreement to acquire an interest in 500 hectares on the Vidette Lake Gold Mine in British Columbia, Canada. Mine development began in the area in 1931. Between 1933 and 1939 there was considerable underground development and the

mine produced over 29,000 ounces of gold, 46,000 ounces of silver and 96,000 pounds of copper and some lead. The property is known to host gold and silver in epithermal veins, breccias and stockwork, and has the potential for porphyry copper, molybdenum and gold. Paramount is planning an exploration program that will include geochemistry, geophysics and detailed geological mapping. Drilling of the best targets is expected to be completed by October.

Management Team Has 500 Years Experience

Paramount Gold's management team reads like a who's who of the mining world. Led by Crupi, the company's leaders have more than 500 years of accumulated mining sector experience. Crupi, a former VP at PricewaterhouseCoopers and a specialist in mergers, acquisitions, divestitures and business evaluations, has participated in deals totaling more than \$1 billion.

The company's COO, Lawrence Segerstrom, is a professional geologist who was born and raised in Latin America and has extensive experience in Mexico and Chile. He was a geologic

services manager for Freeport-McMurray, and a geologist for Newmont, Noranda and Phelps Dodge.

Charles Reed, Paramount Gold's Manager of Exploration in Mexico, was chief geologist for Minera Hecla and regional geologist for Echo Bay Exploration, discovering the Delores mining district.

The company's Board of Directors includes a broad mix of mining executives and professionals with extensive experience in Mexico, as well as in mining exploration, mine development and production, and mine financing. Most recently, Rudi Fronk, President and CEO of Seabridge Gold Inc., and Eliseo Gonzalez-Urien, a Seabridge director and renowned exploration geologist, joined the Paramount board.

Investment Considerations

Paramount Gold's ability to raise money in an exceptionally difficult market is a strong indication that the San Miguel Project in Mexico is a potential company-maker.

To date, Paramount Gold has raised some C\$40 million and has more than enough cash on hand to finance operations for the next three years. Just this spring, the company closed a C\$9 million financing with the FCMI Financial, a private corporation controlled by Albert D. Friedberg and members of his family. Other groups investing in Paramount Gold include Fondi Anima of Milan, Italy, Blackmont Capital Inc, Haywood Securities Inc., Canaccord Capital Corp., and Raymond James Ltd.

Paramount Gold will use its ample capital to fund ongoing drilling and exploration programs, as well as continuing to build its land portfolio and form strategic corporate initiatives with other companies active in Mexico.

"We are very pleased with how the market has received us. This is a clear validation of the quality of our people and the potential of our project in Mexico," says Crupi. "San Miguel is moving quickly toward becoming a world class precious metals deposit."

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Paramount Gold & Silver... a new silver and gold discovery in Mexico

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Shares Outstanding: 82 million

52 Week Trading Range:

U.S.: Hi: \$2.09 • Low: \$0.22

Canada: Hi: C\$2.10 • Low: C\$0.305



PARAMOUNT
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Quick **FACTS**

Paramount Gold and Silver Corp. is a well financed precious metals exploration company that is aggressively exploring and developing its 100%-owned San Miguel project within the Sierra Madre Occidental gold/silver belt in Chihuahua, Mexico. The project's resource estimate now stands at 2,645,000 ounces of Gold equivalent. Paramount is confident that there is tremendous potential to continue resource growth with further drilling. Paramount's geologic team is currently evaluating targets on all of their land holdings in the Guazapares Mining District, and is planning a 2009 exploration program focused on building a 5 to 10 million ounce gold resource. The company is also continuing to explore additional opportunities through joint ventures and acquisitions.

To date, Paramount Gold has completed 47,560 meters of diamond drilling on 213 holes and 3,743 meters of exploration trenching at San Miguel, and recently expanded its land holdings by acquiring a 100% interest in the 54,000-hectare Temoris Project from Garibaldi Resources. As a result, Paramount's land package now includes most of the ground surrounding Coeur d'Alene's Trogan project and is in excess of 140,000 hectares.

Further, as part of the recent acquisition of Magnetic Resources Inc., Paramount also acquired title to the underlying concessions forming the Morelos gold and silver project currently optioned to Garibaldi. The Morelos property covers a historic mining area about 25 kilometers southeast of Goldcorp's El Sauzal Mine and 30 kilometers south of Mag Silver's Batopilas project. Should Garibaldi exercise its option, Paramount would receive a \$2,000,000 cash payment in April 2010 and a 2% NSR. Finally, Paramount also acquires the 2% NSR held by Magnetic Resources over Garibaldi's Iris project near the Pinos Altos and Ocampo mines.

Paramount Gold & Silver Highlights:

- Paramount Gold controls 140,000 hectares in the Sierra Madre gold-silver belt in northern Mexico.
- Company recently arranged a C\$9 financing with FCMI Financial Corporation (Albert Friedberg).
- 2,645,000 ounces of gold equivalent NI-43-101 compliant resource with substantial potential for growth.
- Discovery of two high-grade gold zones at San Miguel contained a combined 1.5 million ounces of gold equivalent.
- Highly experienced management team with over 500 years experience in the international mining sector.