



[DAILY NEWS](#) Dec 14, 2010 4:25 PM - 0 comments

Paramount makes new discovery at San Miguel

Paramount Gold and Silver (pzg-t, pzg-x) has intersected significant gold and silver mineralization while drilling the Don Ese target at its wholly owned San Miguel project in the Sierra Madres of Chihuahua, Mexico.

The first hole into the blind target returned 16 metres averaging 2.11 grams gold and 90 grams silver per tonne, starting from 481 metres down-hole. The 16-metre section includes a higher-grade 7.6 metres of 4.25 grams gold and 133 grams silver.

Stepping out along strike, Paramount has encountered similar grades and thicknesses in five of the first six holes drilled. The steeply-dipping mineralized structural zone that hosts the Don Ese vein has been traced for a strike length of 550 metres, with remarkable grade continuity. It runs north-northwest and remains open along dip and along strike for at least another 200 metres before it butts up both to the north and south against the neighbouring mine property of **Coeur d'Alene Mines** (cde-n).

The Don Ese discovery lies just 8 km southeast of Coeur d'Alene's Palmarejo gold-silver mine. Paramount believes it has discovered the regional south-southeast strike extension of the main structural corridor of Palmarejo.

"This is the most significant discovery we have made to date at our San Miguel project," said Paramount's Chief Executive Officer Christopher Crupi. "Finding this blind target increases our confidence in making additional discoveries."

While no significant intervals were hit in the second hole, which was collared some 215 metres along strike to the southeast, hole 3 intercepted 16.3 metres averaging 1.6 grams gold and 62 grams silver, including 7.7 metres of 3.06 grams gold and 90 grams silver, starting at 519 metres down-hole. Hole 3 was drilled 170 metres away from the discovery hole along strike to the northwest.

Paramount continued to step-out to the northwest on the Don Ese target. Hole 4 was drilled more than 200 metres along strike from hole 3. It hit 13.4 metres of 6.53 grams gold and 590 grams silver, followed closely by a second interval of 6.3 metres grading 1.31 grams gold and 180 grams silver, starting from a downhole depth of 303 metres.

Positioned at the halfway point between holes 3 and 4, hole 5 cut 27 metres averaging 3.11 grams gold and 169 grams silver, including 1.3 metres of 28.8 grams gold and 175 grams silver, beginning at a down-hole depth of 394 metres.

Stepping out a further 100 metres along strike of hole 4, the sixth hole of the program encountered 5.1 metres of 0.73 gram gold and 66.1 grams silver, followed closely by a second high-grade interval of 9.6 metres averaging 5.35 grams gold and 387 grams silver, starting at 420 metres downhole.

Assay results are pending for hole 7, which is a deep hole that tested the downdip potential between holes 1 and 3. "We hit something there, we just don't know what the grades are," said Crupi. Paramount will resume drilling on Don Ese in January following the holiday break. The company believes it may have discovered the southeast extension of Don Ese, a further 4 km away where it emerges back onto its own property.

Don Ese is described as a massive quartz vein characteristic of a low-sulphidation epithermal system that is consistent with other vein deposits in the district. The drilling to date is believed to have cut the vein system at an approximate true width.

The San Miguel project is in the historic Guazapares mining district of southwestern Chihuahua. It is 400 km by road from Chihuahua City, the state capital, and 20 km north of the town of Temoris.

Paramount started assembling a land position in Guazapares mining district in 2005 and now controls a commanding 1,880 sq. km that essentially surrounds Coeur d'Alene's Palmarejo gold-silver mine property. "We are their neighbour on all sides," noted Crupi.

The Palmarejo mine, a combined open-pit and underground operation, hosts proven and probable reserves of 16.2 million tonnes grading 2.06 grams gold and 173 grams silver, equal to 1.1 million oz. gold and 90.5 million oz. silver.

The mine commenced commercial production in April 2009 and produced 54,740 oz. gold and 3 million oz. silver during the first year of operation. It is expected to produce 109,000 oz. gold and 6.1 million oz. silver in 2010 at an average cash operating cost of US\$2.50 per oz. silver.

Paramount began its first drilling program at San Miguel in 2006, testing six targets in the district. "In the beginning, our huge land position had too many targets and different target types, which needed to be assessed and prioritized," stated Crupi.

After completing 50,000 metres of drilling through to 2008, Paramount published a 43-101 compliant resource estimate for San Miguel that showed the San Miguel and La Union target areas contained inferred resources of 6.1 million tonnes grading 2.08 grams gold and 90.8 grams silver. This is equivalent to a contained 406,001 oz gold and 17.7 million oz. silver.

"Systematic exploration over the past two years has enhanced our understanding of the district and we are now reaping the benefits with each drill program; we have become more focused and effective," said Crupi. "We are developing minable deposits within that district."

"Our corporate objective is to define a 5-million gold-equivalent ounce deposit in this district," explained Crupi.

Four new targets are expected to be drilled in the first quarter of 2011. Meanwhile, resource delineation drilling has focused on the San Francisco, Veronica, Monte Cristo and San Miguel vein targets. An updated resource estimate should be available in the early part of next year.

With 132.1 million shares outstanding, or 144.7 million on a fully diluted basis, Paramount is trading around \$2.85 in a 52-week range of \$1.25-3.13, with the latest drill results.

© 1915 - 2010The Northern Miner. All Rights Reserved.