

THE MARKET TRADERS

The Commodity Supercycle Report

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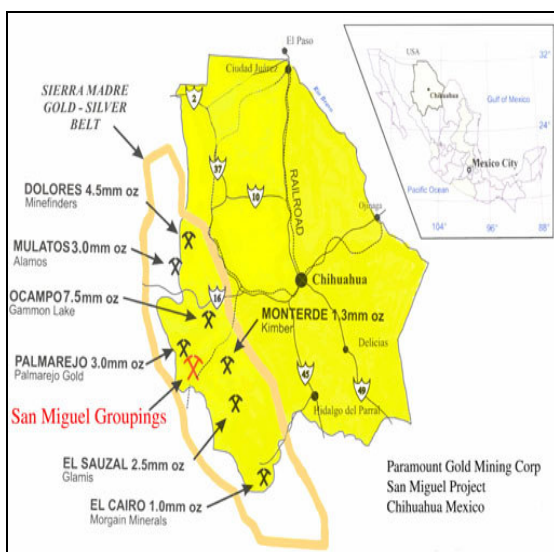
Trading Note

May 25, 2008

Paramount Gold & Silver (TSX, Amex: PZG) - On the Road to Success in Mexico...

If you are a regular to the website www.themarketraders.com, you will know by now that we are partial to Mexico. In fact, let's not be modest – we downright love Mexico and all the mineral potential that it offers. I recently came upon a company that I think has all the potential to be a big success in the next short while. The company is **Paramount Gold & Silver** and it trades on Amex under the ticker **PZG** and also on the Toronto Exchange under the same ticker.

Paramount is well situated in Chihuahua State in Mexico. More specifically, it is situated in the Temoris District of the well known Sierra Madre gold and silver belt. The following map shows a more detailed view. Note that El Paso, Texas is immediately to the North of the area.



Paramount's flagship project is called San Miguel. This project is divided into 5 distinct zones, namely San Antonio, Montecristo, San Luis Mine, San Miguel and Guadalupe de los Reyes.

Certainly the zone that has seen the most activity to date is San Antonio. In January 2007, Paramount compiled its drill data and what emerged was an inferred resource of 35 million ounces of Silver-equivalent grading on average 273 g/tonne. While this number in itself is impressive, what I find more intriguing is the notion that this number was only based on data from 39 holes and these holes were only about 100 meters in depth. I dare say that further drilling at tighter spacings and at depth will only enhance this resource figure.

The Montecristo Zone has seen 45 drill holes completed on it. Assay results now show that this zone extends for over one kilometer in length. Some recent assay results released April 1, 2008 show intersections of up to 22 meters thick grading up to 10 g/t gold and 136 g/t Silver. More data like this when compiled in a resource calculation on this zone will nicely add to the 35 million inferred ounces on the San Antonio zone.

The San Luis Mine zone is the site of a former producing mine that reportedly had grades of up to 12 g/t Gold and 350 g/t Silver. With reported historical grades like this, I suspect this zone will end up hosting a very attractive resource.

The San Miguel Zone has seen 28 holes drilled. Assay results are pending for many of these holes yet but as my eye scanned the handful of results that have been released I did note figures like 2.99 g/t gold and 149g/t Silver over 9 meters as well as 13.93 g/t Gold and 115 g/t Silver over 3.6 meters. These are very exciting grades over excellent widths. I for one shall be watching closely for the rest of the assays to be released. With widths like these, the inferred resource that results from these holes will further enhance the overall story.

The Guadalupe de los Reyes Zone is situated between the San Miguel and Montecristo Zones. There is actually an old mine working on this piece of land that bears the same name. Surface samples and chip samples from the mine tunnels have proven very positive indeed. As is so often the case with these old mine workings in Mexico, the previous operators simply exploited the most obvious high grade zones thus leaving behind a substantial amount of material that has significant economic value at current metals prices. It will be interesting to see what kinds of drill results emerge from this zone.

In addition to San Miguel, Paramount also has a second property of note called the Andrea Project. The 86,300 hectares that make up this project are located between the San Miguel Project and Goldcorp's El Sauzal Mine. To date, about all that has been done on Andrea has been some sediment sampling. But, as one would expect from this prolific area, this sediment sampling has identified a series of potential drill targets which will be further examined in 2008.

In fact, 2008 is going to be a blockbuster year for the team at Paramount. For starters, the resource estimate for the San Miguel zone will be updated and expanded and this is what will allow the marketplace to finally realize the true value of Paramount. A.C.A. Howe International Ltd. has now started this work. A scoping study will also get underway to further assess the economics of establishing a mining project in the area and lastly Paramount will entertain the idea of taking on a partner to quickly advance the project towards a production scenario. The news flow surrounding activities like these will provide for a level of intensity not seen before at Paramount.

In early May it was announced that Paramount had entered into a strategic alliance with Mexoro Minerals (OTCBB: MXOM). Mexoro's land position essentially sandwiches Paramount's land holdings. This strategic alliance will create considerable synergies with over 100,000 hectares of land under management. Some recent drill results from the Cieneguita project (20 kms from Goldcorp's El Sauzal mine) show intersections of 74 meters grading 1.72g/t gold, 19.3 meters grading 1.57 g/t gold and 13.5 meters grading 0.93g/t gold. All very encouraging, to say the least.

Through all that Paramount has accomplished, it has managed to keep its share structure fairly tight, which is something I view as a big positive. At present, Paramount only has 47.7 million shares outstanding. Another big positive is the fact that Paramount's treasury is well stocked up with just around \$9 million in cash.

I will conclude with a look at the price chart of Paramount.



These markets have been tough and brutal for many resource companies and Paramount is no exception. Price action over the past year has been confined to a downward trending channel formation. And to make matters worse, Paramount went through a bizarre sequence of events back in April where their stock was halted due to allegations of something being wrong with the CUSIP number. This halting definitely caused some panic selling when trading resumed as the chart alludes to. But, all is back on track now and there never was a serious issue with the CUSIP number after all.

I like the Paramount story. They have made excellent progress in a short time. 2008 should prove to be hugely successful as the markets get to feast on more assay results, more drilling news and on details of the scoping study. My advice of late on mining shares in general is applicable here to Paramount. Take advantage of the fact that the share price has been negatively affected by the current markets and by a useless regulatory probing. Take a position in the stock for I dare say next year at this time Paramount will be trading considerably higher than where it is today.