

Paramount Gold and Silver Corp.: San Miguel Project



Share price: \$1.82 CAD
 Shares Outstanding
 Basic: 132.1 million
 Fully Diluted: 144.7 million

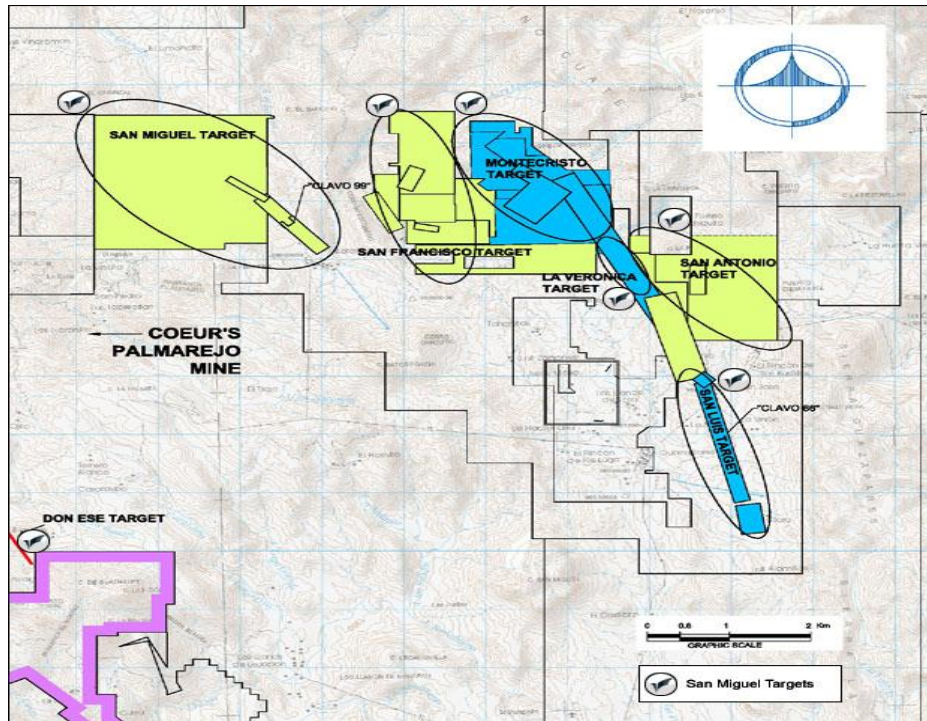
Market Cap: \$240.2 million
 Website: www.paramountgold.com

Projects: San Miguel Project
 Sleeper Mine Project

Cash: ~ \$19 million CAD

OVERVIEW

Paramount Gold and Silver Corp. (NYSE/TSX:PZG) is advancing two key projects: San Miguel (Mexico) and the Sleeper Mine (Nevada) both of which are 100% owned. The San Miguel Project is the subject of this report. In advance of its Nov 18, 2010 Mining and Materials Conference, Dahlman Rose valued PZG at \$13 per share. Today, PZG trades at \$1.82.



SAN MIGUEL

PZG owns 186,000 hectares of property in the Guazapares Mining District of Northern Mexico. This area is known for its historical production of 40 million oz. of gold production and 2 billion oz. of silver. The San Miguel project represents 6 target areas in this district adjacent to Coeur d'Alene's Palmarejo mine.

RECENT DEVELOPMENT

In April 2009, Paramount Gold developed a long-term strategy to advance the San Miguel project. Beginning in July 2009, a new drilling program began to test the ideas developed in the first campaigns, refine existing resources and discover new mineral resources. This current program is focused on gold-rich target zones and includes drill testing:

1. Near-term targets at the San Miguel, San Antonio, San Luis and La Veronica veins to validate the concept of vertical zonation of silver and gold mineralization.
2. Near-term targets at Monte Cristo and San Francisco zones to evaluate bulk-tonnage resource potential.
3. Medium-term tests of vein systems in Veta Azula, La California and Don Ese.

As reported in its news releases dated January 7, March 8 and June 17, October 6, and November 4, 2010, PZG's drilling program is steadily increasing its resource definition throughout this area. Since 2007, PZG has drilled over 100,000 metres, increased its resource base by 240%, and demonstrated that several zones appear to open into larger systems than originally anticipated (paramountgold.com/News). Today, Paramount believes this area has an indicated and inferred mineralization potential of 2.8-3.7 million ounces of gold and 144-177 million ounces of silver. PZG expects to release an updated 43-101 in Q2 of 2011. [Click here](#) for drill results.

Don Ese

Exploration at Don Ese, [click here](#), presents a particularly exciting opportunity for PZG. Don Ese represents a structural vein system analogous to the Cerro Vanguardia deposit operated by AngloGold with current reserves of 20.4 million tonnes grading 2.86 g/t gold and 53.27 g/t silver. In addition, this target is part of the Guadalupe vein system that strikes into Couer d'Alene's Palmarejo Mine property which they are currently exploring. This vein structure was a company maker for Palmarejo. Its andesitic and felsic volcanic units contain intense silicic and argillic alteration in proximity to rhyolite bodies. The rhyolite intrusions are controlled by intersections of northwest and northeast structures that contain three to 12 meter wide quartz veins and broad zones of quartz stockwork veining with an exposed strike length of about 500 meters on Paramount Gold's property. The potential of Don Ese is estimated to be in the range of 400,000 to 600,000 ounces of gold and 14 million to 18 million ounces of silver. An initial seven drill hole program is underway to test the potential for this structure to host precious metal concentrations. Successful completion of this drill test will lead to close spaced delineation drilling of the target and resource estimation.

SUMMARY

PZG has minimized its business risk by exploring in "elephant country." It focused its efforts near or contiguous with properties at different stages of exploration and development, with common geological structures and in areas with significant historical production. PZG management has demonstrated an ability to attract and maintain supportive institutional investors including founders and insiders such as Rudi Fronk (Seabridge Gold) and Albert Friedberg (FCMI Financial). With \$21 million in its treasury, a large land package of over 186,000 hectares of land, several shallow, bulk-gold mineralized zones in addition to deeper high-grade intercepts, there is little doubt on our part that bulk gold zones in the San Miguel project can be readied for production by 2013 potentially producing as much as 84,500 ounces per year based on the Coeur d'Alene template.

Mark Weaver is an independent analyst working in association with Jay Taylor of Taylor Hard Money Advisors. Mr. Weaver does not own shares in PZG. Further analysis of PZG can be found at Paramountgold.com.