

I couldn't refuse the invitation from Paramount Gold and Silver to visit their newly announced acquisition -- the past-producing "Sleeper Mine" in Nevada's Slumbering Hills! The acquisition is being effected through an all-stock deal valuing Sleeper's owner (X-CAL) at \$31M.

Paramount had already set itself apart in my mind from the "herd" of juniors in 3 ways:

- CEO/founder is not a miner, but a CPA and turn-around specialist, who for 5 years was special assistant to Canada's Finance Minister.
- CEO Christopher Crupi had attracted as his largest shareholder Albert Friedberg, long-standing backer of Seabridge Gold. (Crupi himself is the 2nd largest shareholder.)
- Crupi had also attracted to his board Seabridge's CEO Rudi Fronk, and thus gained access to Seabridge's geological talent, and strategic counsel.

Since late 1998, Seabridge stock has appreciated 285 times (28,522%), the best record of any gold stock in the Morningstar/telechart database of US listed gold stocks.

In Mexico and now in Nevada, Paramount has been acquiring properties which seem well-suited to a "Seabridge strategy" of drilling and gradually proving up ounces on prospective land packages.

The Sleeper Mine is 4 hours Northeast of Reno. I was driven there by Larry Kornze, an X-Cal director and exploration geologist credited with co-discovering the Betze deposit in the Carlin Trend. In 2008, Barrick's Betze-Post open pit yielded 1.3M oz. of gold. When you meet Larry, he hands you a business card that trumpets his special status among geologists: against a burgundy background, his title reads: goldfinder- winetaster! He travels with bottles produced from vineyards surrounding his home, and freely shares his secondary product. He's an unpretentious, down-to-earth, and thoroughly delightful guy.

At the Sleeper pit -- where AMAX Gold produced 1.7M oz from 1986-96 -- we met X-Cal senior geologist Larry Martin who has, over the last 4 years, studied core and chip samples from Sleeper's 4000 historical drill holes. As the two hadn't "compared notes" recently, I was treated to several hours of intense "geo-dialogue" on their evolving interpretation of various targets outside the pit. The two Larries knew what a geological layman was in for, and encouraged me to interrupt at will -- which I did often.

Under AMAX, 2000 holes had been drilled largely to steer excavation and production (rather than to develop a full technical model of the pit resource). Placer Dome sank another 2000 deeper holes averaging 444 ft. and generated preliminary estimates of the deposits in 1997. Through 2009, renowned consulting geologist Richard Sillitoe updated resource estimates. In 2009, a preliminary economic analysis (PEA) defined .75M oz indicated in-ground (Facilities, Westwood) and .7M oz. inferred above-ground in the heap leach pads and tailings from AMAX. (Gold prices have more than quadrupled since production ended. Therefore, "yesterday's left-overs" can yield tomorrow's profits.)

Kornze and Martin spoke of 4 additional prospective targets well outside the pit. The Sleeper land package encompasses 25 sq. mi. And, as they say, the best place to look for gold is next to a gold mine!

Wholly coincidentally and well before this visit, I had (months ago) come across a map from a company called Nevada Exploration (which conducts proprietary groundwater analysis throughout the state) that also indicated strong gold prospects just west of the Sleeper pit:

http://www.nevadaexploration.com/properties/bull_creek/ After visiting Sleeper, I took time to meet with the CEO of this company, and was impressed by their methods.

I asked why had X-Cal not on their own raised money to follow their PEA with a feasibility study, and for drilling of new targets? I was told X-Cal's CEO had wanted to avoid the dilution and fees of "Canadian-style" financing, and had worked through his own list of US and European financing sources. Soon after meeting Paramount, a deal was done.

At 3.31.10, Paramount reported \$21M cash with \$0.2M in short-term liabilities. Exploration at San Miguel in Mexico is taking about \$6M/yr. The Sleeper PEA calls for \$6M in drilling and study to update it. It would seem Paramount could easily fund both without recourse to capital markets for well over a year.

There is a lot to work with on the property in terms of drill samples, data, and experience. My hosts know Sleeper well. Paramount also has access to Seabridge's team – which has wrung increasing market value out of studies proving up ounces at their massive KSM deposit.

If Sleeper's 2 defined resources can graduate to reserve status, nearly 1.5M oz. can be produced from this alone. Much of Sleeper's geology reminded my hosts of Allied Nevada's nearby Hycroft's low-grade, bulk-tonnage material. Yet, unlike the continuity of geology they saw at the Hycroft or Midas mines, my hosts saw a variety of geological structures at Sleeper, and imagined the possibility of multiple high-grade veins and systems. (There's precedent: in one 30 ft. elevation, 0.4% of tonnage in the Sleeper pit produced 60% of the gold. THAT's high grade!) Paramount's stated goal in Mexico is 5M gold-equivalent ounces. I'd expect no less ambitious a goal at Sleeper.

Results for Paramount at Sleeper and at San Miguel will be driven by outcomes from drilling, study and modeling – which the company seems well-equipped to finance. Also, a second prospective property (in a second mining-friendly jurisdiction) spreads the company's risk, and increases its chances for success. Having garnered a market cap of \$150M, the price for Sleeper (\$31M in stock) seems a relative bargain.

Disclosure: no position; no financial ties to Paramount, which bore travel costs of \$1K.

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