

Paramount Gold and Silver Reports Favorable Gold Recoveries From Bio-Oxidation of High Grade Material From Sleeper Deposit, Nevada

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Only 8 Days of Bio-Oxidation Achieves 91.5 % Average Recovery From West Wood Area

WINNEMUCCA, NEVADA -- (Marketwired - Jan 22, 2014) - [Paramount Gold and Silver Corp.](#) (NYSE:PZG) (TSX:PZG) (FRANKFURT:P6G) (WKN: A0HGKQ) ("Paramount") announced today that a successful preliminary bio-oxidation test of the high grade sulfide material from the West Wood area of Paramount's 100%-owned Sleeper Gold Project indicates that this high grade resource could be included in a revised Preliminary Economic Assessment (PEA). Resources from West Wood were not included in the original 2012 PEA because of poor expected recoveries from the heap leach operation proposed for Sleeper in the PEA.

Paramount CEO Christopher Crupi confirmed that the bio-ox test results "could have a major impact on the economics of the Sleeper Project. West Wood contains the highest grade material at the project, is close to the processing facilities and has a favourable strip ratio. Getting this resource into the economic model has been a high priority for us since completing the PEA."

West Wood

The West Wood area is on the south west side of the Sleeper deposit and consists of stock work, breccia and disseminated mineralization of exceptional gold and silver grades. For example, last year's drilling returned up to 35 meters grading 2.49 g/T of gold and 14.7 g/T of silver. Cyanide leach tests of the sulfide-rich West Wood mineralization showed poor amenability to heap leaching and this material was therefore not incorporated in the PEA mine plan. Further work tested several alternative recovery methods, with the bio-oxidation process providing the most promising and cost effective results.

New Bio-Ox Testing

A bio-oxidation test on West Wood material was supervised by McClelland Laboratories of Reno, Nevada. The aim was to achieve a partial oxidation of the sulfides using industry-standard bacteria and a subsequent cyanide leach. Initial oxidation testing was conducted on a 45 micron crush size for 21 days continuously. Portions of the sample material were then subjected to cyanide leaching after 5 days, 7-8 days and 21 days of bio-ox treatment. The samples tested returned excellent gold recoveries averaging 91.5% after partial oxidation for just 7-8 days.

Paramount is now conducting multiple column tests at various crush sizes to further evaluate gold recoveries and grind size optimization in a heap leach process. Successful completion of these tests should allow the West Wood material to be incorporated into the project's resources and mine plan. An updated NI 43-101 resource estimate is scheduled for the first quarter of this year.

Sample	Amenability test #	Calculated Head Grade Au g/T	Bio Oxidation Time days	Oxidation state %	Au Recovery %
WWS-13-1	Baseline	3.24	0	0.0	36.1
WWS-13-1	AM-14	3.76	5	1.7	81.3
WWS-13-1	AM-1	3.58	8	53.3	94.3
WWS-13-1	AM-2	3.46	21	79.5	96.0
WWS-13-2	Baseline	1.29	0	0.0	30.2
WWS-13-2	AM-13	1.31	5	2.6	62.1
WWS-13-2	AM-5	1.20	7	60.8	88.7
WWS-13-2	AM-6	1.33	21	78.6	91.1

Sleeper PEA

The PEA prepared by Metal Mining Consultants of Denver, Colorado (formerly Scott E. Wilson Consulting Inc.), was released on July 30, 2012. The PEA specifies a development scenario for Sleeper consisting of a large-scale open pit mining operation with a heap leach processing plant handling both oxide and sulphide material, producing a gold-silver dore. The base case scenario incorporates an 81,000 tonnes per day operation (approximately 30 million tonnes per year throughput), resulting in a projected 17 year operation with average annual production of 172,000 ounces of gold and 263,000 ounces of silver. Projected life-of-mine average cash operating costs are US\$767 per ounce of equivalent gold recovered. Start-up capital costs for this project scenario are estimated at US\$346 million. Sustaining capital costs over the project's life are estimated at an additional \$278 million. Total capital cost contingencies over the project life are estimated at an additional \$64 million, bringing the total life of mine capital costs to \$688 million. The total cost of equivalent gold production (including cash operating costs and total capital and contingency costs over the life of the mine) is estimated at US\$996 per ounce.

At a gold price of US\$1,384 per ounce and a silver price of \$26.33 per ounce (the 3 year trailing average of gold and silver prices as at July 3, 2012), the Sleeper base case has a US\$1.2 billion pre-tax net cash flow, a US\$695 million net present value at a 5% discount rate and an internal rate of return (IRR) of 26.8%. At lower metal prices, Sleeper still shows excellent economic performance. At US\$1,200 gold and US\$20 silver, the estimated total pre-tax net cash flow equals US\$603 million and the net present value at a 5% discount rate is a healthy \$295 million with an internal rate of return of 15%.

NI 43-101 Disclosure

Exploration activities at Sleeper are being conducted by Paramount under the supervision of Glen van Treet, Exploration Vice President of the Company, and Bill Threlkeld, a Qualified Person as defined by National Instrument 43-101, both of whom have reviewed and approved this press release. An ongoing quality control/quality assurance protocol is being employed during the program including blank, duplicate and reference standards in every batch of assays. Samples are being assayed at ALS Chemex, Reno, Nevada while multi-element analysis is being performed in Vancouver, Canada. External check samples are also being conducted at an Inspectorate Lab in Reno, Nevada.

About Paramount

[Paramount](#) is a U.S.-based exploration and development company with multi-million ounce advanced stage precious metals projects in northern Mexico (San Miguel) and Nevada (Sleeper). Fully-funded exploration and engineering programs are now in progress at these two core projects which are expected to generate substantial additional value for our shareholders.

The Sleeper Gold Project is located off a main highway about 25 miles from the town of Winnemucca. In 2010, Paramount acquired a 100% interest in the project including the original Sleeper high-grade open pit mine operated by Amax Gold from 1986 to 1996 as well as staked and purchased lands now totaling 2,570 claims and covering about 47,500 acres which stretch south down trend to Newmont's Sandman project. This acquisition is consistent with the Company's strategy of district-scale exploration near infrastructure in established mining camps. A PEA was completed for Sleeper and announced on July 30, 2012.

The San Miguel Project consists of over 142,000 hectares (over 353,000 acres) in the Palmarejo District of northwest Mexico, making Paramount the largest claim holder in this rapidly growing precious metals mining camp. The San Miguel Project is ideally situated near established, low cost production where the infrastructure already exists for early, cost-effective exploitation. A PEA for San Miguel was completed and announced on February 28, 2013.

Summary of PZG's Estimated NI 43-101 Compliant Resources

MEASURED AND INDICATED RESOURCES

PROJECT	Tonnes	Au g/T	Au Ounces	Ag g/T	Ag Ounces
San Miguel	23,918,000	0.83	639,000	70.0	53,559,000
Sleeper	326,963,000	0.33	3,479,000	3.86	40,606,000
Total			4,118,000		94,165,000

INFERRED RESOURCES

PROJECT	Tonnes	Au g/T	Au Ounces	Ag g/T	Ag Ounces
San Miguel	37,470,000	0.69	830,000	38.00	46,243,000
Sleeper	223,624,000	0.27	1,972,000	2.84	20,459,000

Total	2,802,000	66,702,000
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For details on these resource estimates please see the following news releases: San Miguel Resource Estimate, September 5, 2012; and Sleeper Resource Estimate, July 30, 2012.

Note: Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Cautionary Note to U.S. Investors Concerning Estimates of Indicated and Inferred Resources

This news release uses the terms "measured and indicated resources" and "inferred resources". We advise U.S. investors that while these terms are defined in, and permitted by, Canadian regulations, these terms are not defined terms under SEC Industry Guide 7 and not normally permitted to be used in reports and registration statements filed with the SEC. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility study or prefeasibility studies, except in rare cases. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves", as in-place tonnage and grade without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of mineral deposits in this category will ever be converted into reserves. U.S. investors are cautioned not to assume that any part or all of an inferred resource exists or is economically or legally minable

Safe Harbor for Forward-Looking Statements:

This release and related documents may include "forward-looking statements" including, but not limited to, statements related to the interpretation of metallurgical test work and drilling results, future work at the Sleeper Gold Project and the expected results of this work, estimates of resources for the Sleeper and San Miguel projects including expected volumes and grades and the economic projections included in the Sleeper project's PEA. Forward-looking statements are statements that are not historical fact and are subject to a variety of risks and uncertainties which could cause actual events to differ materially from those reflected in the forward-looking statements including fluctuations in the price of gold, inability to complete drill programs on time and on budget, and future financing ability. Paramount's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable securities laws. Words such as "believes," "plans," "anticipates," "expects," "estimates" and similar expressions should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including, but not limited to: uncertainties involving interpretation of drilling results, environmental matters, lack of ability to obtain required permitting, equipment breakdown or disruptions, and the other factors described in Paramount's Annual Report on Form 10-K for the year ended June 30, 2012 and its most recent quarterly reports filed with the SEC.

Except as required by applicable law, Paramount disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

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