

Paramount Gold & Silver Mobilizes Four Rigs to its San Miguel Project for Resource Expansion and Pre-Feasibility Study (PFS)

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- **Drilling to test priority targets near high grade Don Ese deposit; convert inferred resources to measured and indicated; undertake geotechnical testing**
- **Program to upgrade last month's successful Preliminary Economic Assessment (PEA) to PFS level**
- **Base line studies commenced for environmental permitting applications**

WINNEMUCCA, NEVADA -- (Marketwired - Sep 2, 2014) - [Paramount Gold and Silver Corp.](#) (NYSE MKT:PZG) (TSX:PZG) (FRANKFURT:P6G) (WKN:A0HGKQ) ("Paramount") announced today that it is mobilizing four core rigs to its 100%-owned San Miguel project in northern Mexico as part of a program to increase and upgrade resources and advance the gold-silver project to the pre-feasibility stage.

Paramount CEO Christopher Crupi commented "we have decided to continue the process of moving San Miguel towards a production decision. This work will further de-risk our project and add substantial value during a period when we also expect gold and silver prices to be on the rise. The low initial capital cost estimates for a combined heap leach and milling scenario in our new PEA have encouraged us to proceed to the next step".

Last month's new PEA estimated an Initial Capital requirement of \$69 million and low operating costs, resulting in exceptional economics including payback of Initial Capital in the third year of production. The PEA estimated average annual production of 55,000 ounces of gold and 2.8 million ounces of silver for 17 years. Base Case Pre-Tax NPV was estimated at US\$472.6 million with an IRR of 23.2% at a 5% Discount Rate and current metal prices. The PEA, released on August 25, 2014, was prepared by Metal Mining Consultants Inc. ("MMC") of Denver, Colorado incorporating a resource model developed by Mine Development Associates ("MDA") of Reno, Nevada (see news release). Note that the PEA incorporates inferred mineral resources which are considered to be too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and, as such, do not have demonstrated economic viability. There can be no certainty that the estimates contained in the PEA will be realized.

"San Miguel is the right size of project for Paramount to take further. Our personnel have the necessary experience, the projected costs for a PFS are relatively low and we see some juicy opportunities to further improve economics," Crupi noted.

The main objectives in the current program are:

- Test a newly identified structure named Dana which runs parallel to Paramount's Don Ese deposit, some 800 meters northeast of Coeur d'Alene's Guadalupe Mine. The one kilometer long Dana appears to be similar to the Don Ese which is considered to be the most valuable deposit at San Miguel due to its high gold grade and continuity along strike and at depth. Drilling will also continue to explore La Bavisa which returned good metal values in the 2013 program (see map at:<http://media3.marketwire.com/docs/965781mapE.pdf>).
- Expand and infill the lower grade San Francisco deposit, reflecting the new PEA's successful inclusion of a heap leach scenario for this material. The obvious expansion potential for San Francisco had been discounted in the previous mill-only scenario.
- Convert inferred mineralized tonnes within the proposed underground mine plan to measured and indicated. About 18% of the underground minable material in the PEA was inferred; the aim is to have 100% categorized as measured and indicated which could then convert to reserves in a PFS.
- Acquire material for metallurgical and geotechnical testing.
- Commence base line environmental studies. Paramount has contracted for hydrogeological studies to

characterize the project's hydrological setting, water quality and chemistry according to the SERMANAT requirements for an Environmental Impact Manifestation (MIA); environmental risk assessments and technical studies related to the use of surface land for mining operations; and community surveys needed to complete a database of surface land users and community expectations.

Paramount expects to complete the majority of this work during the current year within an estimated budget of \$5 million to be financed from cash on hand.

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 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.

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.

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 drilling results and potential mineralization, future exploration work at the San Miguel Project and the expected results of this work, estimates of resources including expected volumes and grades and the economic projections included in the 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, 2013 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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