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INITIAL WORK COMPLETED AT SOUTH AFRICAN DIAMOND PROJECT

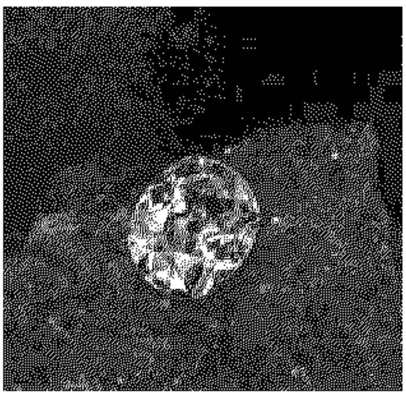
Australian diamond explorer, Paramount Mining Corporation Limited (ASX code "PCP") announced today that a preliminary work programme has been completed at the Pampoene Pan Project in South Africa, where the target is an extensive belt of gravels that have potential to carry diamonds. Pampoene Pan is one of a number of South African projects being acquired by the Company from Rox Resources Limited ("Rox").

A broad scale mapping programme was carried out over the entire project area, which is located approximately 40 kilometres south of the town of Douglas, in the Northern Cape Province. **This work confirmed the presence of gravels of varying thickness widespread across the tenement area. The origin and geological history of the gravels, however, has not been confirmed at this stage.**

The mapping work completed suggests that the rocks *underlying* the alluvial gravels are largely of glacial origin, being consolidated sediments of the Dwyka glacial group that occurs extensively in this region of South Africa. The alluvial material of interest, draped over these rocks, contains a significant proportion of Dwyka material and could either be a deflation deposit derived entirely from the underlying Dwyka, or a mixture of Dwyka and other gravels transported by an ancient river.

"Pampoene Pan is a very exciting conceptual project located close to the site of South Africa's first diamond discovery in 1866 – the 21 carat "Eureka" diamond," Ms Maureen Muggeridge, Paramount's Chief Executive Officer said today.

"While Dwyka glacial sediments do contain some diamonds, it is only in rivers and on the seabed that natural concentration of alluvial diamonds occurs, producing in some cases economically viable deposits," she said. "Therefore, **the commercial potential of Pampoene Pan partly relies on confirming the concept that the alluvial deposits represent part of the ancient Orange River** and not purely remnant (deflation) Dwyka material."



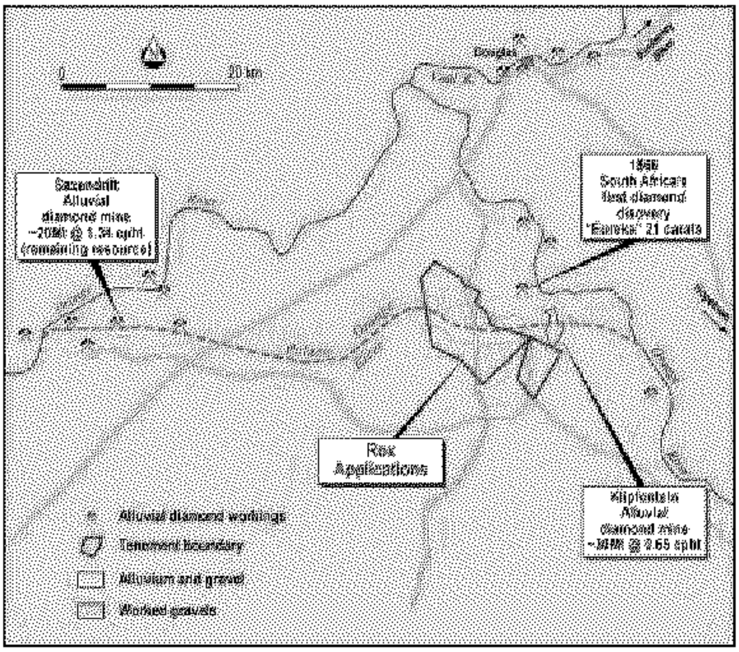
Eureka Diamond

The alluvial gravels and underlying rocks at Pampoene Pan form a sinuous elongated ridge which reflects the sinuousity of the present Orange River. This lends weight to the proposal that the Pampoene Pan gravels are remnants of an ancient course of the Orange River, which was responsible for the deposits constituting the Saxendrift and Klipfontein alluvial diamond mines.

Pampoene Pan lies immediately adjacent to the Klipfontein Diamond Mine and falls on the same trend projected for the Paleao Orange River, linking Klipfontein with Saxendrift and other diamond mines to the west, all producers of high value diamonds. Positioned between the two mining areas, the Pampoene Pan deposits would have high potential to carry diamonds if a Palaeo Orange River origin can be demonstrated. In such a river, incorporation of transported, as well as locally derived, Dwyka rocks would be expected, along with a variety rocks from other sources. The Dwyka material itself is a mixture of rock debris collected from a range of sources that lay in the path of the glacier. Therefore, in order to confirm that the Pampoene Pan gravels were deposited by a river, rocks of a *younger* age than the Dwyka glacial episode must be found amongst them.

The next phase of work will involve specific investigations for indicative lithologies amongst the Pampoene Pan gravels. This will include field surveys and detailed testing of certain rock types.

The purchase of Pampoene Pan and other projects from Rox involves Paramount acquiring all the shares in Rox's South African subsidiary, Nyala Resources (Proprietary) Limited ('Nyala"), which owns the tenement assets. Approval is awaited from the South African Department of Minerals and Energy for the transfer of shares, after which the transaction can be finalised. The concession was granted to Nyala on 24th February 2006. In order to fulfil tenement obligations within the first year of grant, Paramount decided to carry out the mapping work at Pampoene Pan in advance of finalising the transaction with Rox.



<u>Prepared by: Maureen Muggeridge</u>
Chairman / Chief Executive Officer

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Maureen Muggeridge, BSc, FAIG, Chairman and Chief Executive Officer of Paramount Mining Corporation Ltd. Ms Muggeridge is a full-time employee of the company. She has sufficient experience relevant to the style of mineralisation and type of deposits under consideration, and to the activity undertaken, to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Maureen Muggeridge consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.