

PARAMOUNT GOLD & SILVER CORP.  
Form 10-Q  
May 12, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

☑

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2008**

OR

☐

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Paramount Gold and Silver Corp.**

(Exact name of registrant as specified in its charter)

**Delaware**

**0-51600**

**20-3690109**

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(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

**346 Waverley Street**

**Ottawa, Ontario, Canada K2P 0W5**

(Address of Principal Executive Office) (Zip Code)

**(613) 226-9881**

(Issuer's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

..

Accelerated filer

..

Non-accelerated filer

ý

Smaller reporting company

..

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes .. No ý

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY**

**PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13, or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes " No "

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date: 48,290,997 shares of Common Stock, \$.001 par value as of May 1, 2008.

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**PART I. FINANCIAL INFORMATION****Item 1.****Financial Statements****PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Consolidated Balance Sheets (Unaudited)****As at March 31, 2008 and June 30, 2007**

(Expressed in United States dollars, unless otherwise stated)

	<b>As at March 31,</b>	<b>As at June 30,</b>
	<b>2008</b>	<b>2007</b>
<b>Assets</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,255,387	\$ 16,231,388
Amounts receivable	1,073,734	944,069
Prepaid and Deposits	498,614	1,741,625
	9,827,734	18,917,082
<b>Long Term Assets</b>		
Mineral properties (Note 6)	4,051,247	3,001,247
Fixed assets (Note 7)	351,315	271,509
	4,402,562	3,272,756
	\$ 14,230,297	\$ 22,189,838
<b>Liabilities and Shareholder's Equity</b>		

**Liabilities****Current Liabilities**

Accounts payable	\$	779,460	\$	779,345
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**Shareholder s Equity**

Capital stock (Note 4)		48,291		46,502
Additional paid in capital		32,372,519		28,742,381
Contributed surplus		13,174,588		10,159,322
Deficit accumulated during the exploration stage		(32,143,980 )		(17,546,124 )
Cumulative translation adjustment		(581 )		8,412
		13,450,837		21,410,493
	\$	14,230,297	\$	22,189,838

**Commitments (Note 11) Subsequent Events (Note 12)**

*The accompanying notes are an integral part of the consolidated financial statements.*

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Consolidated Statements of Operations (Unaudited)****For the Period Ended March 31, 2008 and March 31, 2007**

(Expressed in United States dollars, unless otherwise stated)

	<b>Three Month</b>	<b>Nine Month</b>			<b>Cumulative</b>
	<b>Period</b>	<b>Period</b>	<b>Three Month</b>	<b>Nine Month</b>	<b>Since</b>
	<b>Ended</b>	<b>Ended</b>	<b>Period Ended</b>	<b>Period Ended</b>	<b>Inception</b>
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 29,</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2005</b>
					<b>to</b>
					<b>March 31,</b>
					<b>2008</b>
<b>Revenue</b>					
Interest Income	\$ 81,146	\$ 417,704	\$ 2,434	\$ 2,695	\$ 693,169
<b>Expenses:</b>					
Incorporation Costs					1,773
Exploration ( <b>note 13</b> )	1,657,369	5,386,539	771,964	2,739,308	10,279,461
Professional Fees	288,922	814,729	182,741	231,404	1,628,495
Travel & Lodging	121,150	310,178	47,717	54,774	508,370
Geologist Fees & Expenses	432,349	638,792	933,418	1,822,959	1,675,343
Corporate Communications	135,202	454,035	904,947	2,235,250	801,329
Consulting Fees	7,907	147,536	1,264,229	2,851,036	447,413
Marketing	275,861	775,159	21,969	60,431	937,556
	133,160	356,883	69,086	94,531	625,300



Office & Administration					
Interest & Service Charges	3,081	8,405	304	1,988	17,335
Franchise taxes	9,275	9,275			9,275
Insurance	23,861	56,145	9,344	64,256	116,807
Amortization	24,663	73,943	6,569	17,553	109,218
Rent	29,410	66,173	8,244	23,240	160,037
Miscellaneous	187	3,617	25,417	26,850	(2,558 )
Financing		93,384			93,384
Stock Based Compensation	1,574,500	5,820,767	2,009,152	2,009,152	13,957,562
Write Down of Mineral Property					1,471,049
Total Expense	4,716,897	15,015,559	6,255,101	12,235,832	32,837,148
<b>Net Loss</b>	<b>4,635,751</b>	<b>14,597,856</b>	<b>6,252,667</b>	<b>12,230,037</b>	<b>32,143,980</b>
<b>Other comprehensive loss</b>					
Foreign Currency Translation Adjustment	27,548	8,993			581
<b>Total Comprehensive Loss for the Period</b>	<b>\$ 4,663,299</b>	<b>\$ 14,606,849</b>	<b>\$ 6,252,667</b>	<b>\$ 12,230,037</b>	<b>\$ 32,144,561</b>
<b>Basic &amp; Diluted Loss per Common Share</b>	<b>(0.096 )</b>	<b>(0.308 )</b>	<b>(0.163 )</b>	<b>(0.357 )</b>	
<b>Comprehensive Loss per Common Share</b>	<b>(0.096 )</b>	<b>(0.308 )</b>	<b>(0.163 )</b>	<b>(0.357 )</b>	
<b>Weighted Average Number of Common Shares Used in Per Share Calculations</b>	<b>48,238,689</b>	<b>47,245,033</b>	<b>38,356,447</b>	<b>34,257,806</b>	

*The accompanying notes are an integral part of the consolidated financial statements.*



**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Consolidated Statements of Cash Flows (Unaudited)****For the Period March 31, 2008 and March 31, 2007**

(Expressed in United States dollars, unless otherwise stated)

	<b>For the Nine Month Period Ended March 31, 2008</b>	<b>For the Nine Month Period Ended March 31, 2007</b>	<b>Cumulative Since Inception to March 31, 2008</b>
Operating Activities:			
Net Loss	\$ (14,597,866 )	\$ (12,230,037 )	\$ (32,143,990 )
Adjustment for:			
Amortization	73,943	17,553	109,218
Stock based compensation	5,820,777	5,731,831	14,174,308
Write-down of mineral properties			1,471,049
(Increase) Decrease in accounts receivable	(129,665 )	(259,398 )	(1,073,734 )
(Increase) Decrease in prepaid expenses	(230,564 )	(33,530 )	(339,193 )
Increase (Decrease) in accounts payable	115	1,109,787	779,345
Cash used in Operating Activities	(9,063,260 )	(5,663,794 )	(17,022,997 )
Investing Activities:			
Purchase of Mineral Properties	(1,000,000 )	(1,569,796 )	(2,884,495 )
Purchase of Equipment	(153,749 )	(139,884 )	(460,533 )
Cash used in Investing Activities	(1,153,749 )	(1,709,680 )	(3,345,028 )

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Financing Activities:

Increase (decrease) in demand notes payable			(205,580 )		105,580
Issuance of capital stock	2,250,000		26,976,399		28,396,904
Cash from Financing Activities:	2,250,000		26,770,819		28,502,484
Effect of exchange rate changes on cash		(8,992 )			120,928
Increase (Decrease) in Cash	(7,976,001 )		19,397,345		8,255,387
Cash, beginning	16,231,388		465,791		
Cash, ending	\$ 8,255,387	\$	19,863,136	\$	8,255,387
Supplemental Cash Flow Disclosure:					
Interest Received	\$ 417,704	\$	2,695	\$	693,169
Taxes Paid					
Cash	791,366		1,604,820		791,366
Short term investments	7,464,021		18,258,316		7,464,021
<b>Non Cash Transactions (Note 3)</b>					

*The accompanying notes are an integral part of the consolidated financial statements.*

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Consolidated Statement of Stockholders' Equity****For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings (Deficiency)	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders' Equity
		\$	\$	\$	\$	\$	\$
<b>Balance at Inception</b>							
<b>Balance June 30, 2005</b>	<b>11,267,726</b>	<b>11,268</b>	<b>1,755</b>	<b>(1,773 )</b>			<b>11,250</b>
Capital issued for financing	34,000,000	34,000					34,000
Forward split	45,267,726	45,267	(45,267 )				
Returned to treasury	(61,660,000 )	(61,660 )	61,600				
Capital issued for financing	1,301,159	1,301	3,316,886				3,318,187
Capital issued for services	280,000	280	452,370				452,650
Capital issued for mineral properties	510,000	510	1,033,286				1,033,796
Fair value of warrants					444,002		444,002
Net Income (loss)				(1,874,462 )			(1,874,462 )
<b>Balance June 30, 2006</b>	<b>30,966,611</b>	<b>30,966</b>	<b>4,820,690</b>	<b>(1,876,235 )</b>	<b>444,002</b>		<b>3,419,423</b>
	11,988,676	11,990	15,225,207				15,237,197

Capital issued for financing							
Capital issued for services	3,107,500	3,107	7,431,343				7,434,450
Capital issued for mineral properties	400,000	400	1,159,600				1,160,000
Capital issued on settlement of notes payable	39,691	39	105,541				105,580
Fair value of warrants					7,546,270		7,546,270
Stock based compensation					2,169,050		2,169,050
Foreign currency translation adjustment						8,412	8,412
Net Income (loss)				(15,669,889 )			(15,679,889 )
<b>Balance at June 30, 2007</b>	<b>46,502,478</b>	<b>46,502</b>	<b>28,742,381</b>	<b>(17,556,124 )</b>	<b>10,159,322</b>	<b>8,412</b>	<b>21,410,493</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Consolidated Statement of Stockholders' Equity****For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings (Deficiency)	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders' Equity
<b>Balance at June 30, 2007</b>	<b>46,502,478</b>	<b>46,502</b>	<b>28,742,381</b>	<b>(17,546,124 )</b>	<b>10,159,322</b>	<b>8,412</b>	<b>21,410,493</b>
Capital issued for services	125,000	125	328,627				328,752
Capital issued for mineral properties	18,519	19	49,982				50,000
Stock based compensation					2,423,531		2,423,531
Foreign currency translation adjustment						6,500	6,500
Net Income (loss)				(6,477,987 )			(6,477,987 )
<b>Balance at September 30, 2007</b>	<b>46,645,997</b>	<b>46,646</b>	<b>29,120,990</b>	<b>24,024,111 )</b>	<b>12,582,853</b>	<b>14,912</b>	<b>17,741,289</b>
Capital issued for financing	1,000,000	1,000	1,778,590				1,779,590
Capital issued for services	50,000	50	87,450				87,500
Stock based compensation					121,325		121,325

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Fair value of warrants					470,410		470,410
Foreign currency translation adjustment						(43,041 )	(43,041 )
Net Income (loss)				(3,484,118 )			(3,484,118 )
<b>Balance at December 31, 2007</b>	<b>47,695,997</b>	<b>47,696</b>	<b>30,987,030</b>	<b>(27,508,229 )</b>	<b>13,174,588</b>	<b>(28,129 )</b>	<b>16,672,956</b>
Capital issued for services	595,000	595	1,177,505				1,178,100
Stock based compensation					207,985		207,985
Net Income (loss)				(4,635,751 )			(4,635,751 )
Foreign currency translation						27,548	27,548
<b>Balance at March 31, 2008</b>	<b>48,290,997</b>	<b>48,291</b>	<b>32,164,535</b>	<b>(32,153,980 )</b>	<b>13,382,573</b>	<b>(581 )</b>	<b>13,450,838</b>

*The accompanying notes are an integral part of the consolidated financial statements.*



**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Notes to Consolidated financial statements**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**1.**

**Basis of Presentation:**

a)

The Company, incorporated under the General Corporation Law of the State of Delaware, is a natural resource company engaged in the acquisition, exploration and development of gold, silver and precious metal properties. The Consolidated financial statements of Paramount Gold and Silver Corp. include the accounts of its wholly owned subsidiaries, Paramount Gold de Mexico S.A. de C.V. and Compania Minera Paramount SAC. On August 23, 2007 the board and shareholders approved the name to be changed from Paramount Gold Mining Corp. to Paramount Gold & Silver Corp.

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's consolidated financial statements filed as part of the Company's December 31, 2007 Quarterly Report on Form 10-Q.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company's consolidated financial position at March 31, 2008 and the consolidated results of operations and consolidated statements of cash flows for the period ended March 31, 2008.

b)

**Use of Estimates**

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c)

#### Exploration Stage Enterprise

The Company's consolidated financial statements are prepared using the accrual method of accounting and according to the provision of Statement of Financial Accounting Standards ( SFAS ) No. 7, *Accounting and Reporting for Development Stage Enterprises* , as it were devoting substantially all of its efforts to acquiring and exploring mineral properties. It is industry practice that mining companies in the development stage are classified under Generally Accepted Accounting Principles as exploration stage companies. Until such properties are acquired and developed, the Company will continue to prepare its consolidated financial statements and related disclosures in accordance with entities in the exploration or development stage.

2.

#### **Principal Accounting Policies**

The consolidated financial statements are prepared by management in accordance with generally accepted accounting principles of the United States of America. The principal accounting policies followed by the Company are as follows:

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments with an original maturity of three months or less.

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Notes to Consolidated financial statements (Continued)**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**2.**

**Principal Accounting Policies (continued)**

**Fair Value of Financial Instruments**

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*. The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. The fair market value of the Company's financial instruments comprising cash, accounts receivable and accounts payable and accrued liabilities were estimated to approximate their carrying values due to immediate or short-term maturity of these financial instruments. The Company maintains cash balances at financial institutions which at times, exceed federally insured amounts. The Company has not experienced any material losses in such accounts.

**Stock Based Compensation**

The Company has adopted the provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employees' requisite service period (generally the vesting period of the equity grant).

**Comprehensive Income**

SFAS No. 130, *Reporting Comprehensive Income* establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As at December 31, 2007, the Company's only component of comprehensive income was foreign currency translation adjustments.

**Long Term Assets**

*Mineral Properties*

The Company has been in the exploration stage since its inception on March 29, 2005, and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties.

The Company expenses all costs related to the maintenance and exploration of mineral claims in which it has secured exploration rights prior to establishment of proven and probable reserves. To date, the Company has not established the commercial feasibility of its exploration prospects; therefore, all exploration costs are being expensed.

Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets*. The Company assesses the carrying cost for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Notes to Consolidated financial statements (Continued)**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**2.**

**Principal Accounting Policies (continued)**

**Fixed Assets**

Property and equipment are recorded at cost and are amortized over their estimated useful lives at the following annual rates, with half the rate being applied in the year of acquisition:

Computer equipment	30% declining balance
Equipment	20% declining balance
Furniture and fixtures	20% declining balance

**Income Taxes**

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years; and accordingly is offset by a valuation allowance.

**Foreign Currency Translation**

The Company's functional currency is the United States dollar. The consolidated financial statements of the Company are translated to United States dollars in accordance with SFAS No. 52 *Foreign Currency Translation* (SFAS No. 52). Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the consolidated balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Mexican pesos and Peruvian sols. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The functional currencies of the Company's wholly-owned subsidiaries are the Mexican peso and Peruvian sol. The financial statements of the subsidiaries are translated to United States dollars in accordance with SFAS No. 52 using period-end rates of exchange for assets and liabilities, and average rates of exchange for the year for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component

of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.

### **Asset Retirement Obligation**

The Company has adopted SFAS No. 143 *Accounting for Asset Retirement Obligations*, which requires that an asset retirement obligation ( ARO ) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The cost of the tangible asset, including the initially recognized ARO, is depleted, such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion expense is recognizable over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash flow, discounted at the Company's credit-adjusted-risk-free interest rate. To date, no material asset retirement obligation exists due to the early stage of the Company's mineral exploration. Accordingly, no liability has been recorded.

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Notes to Consolidated financial statements (Continued)**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**2.**

**Principal Accounting Policies: (continued)**

**Environmental Protection and Reclamation Costs**

The operations of the Company have been, and may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against statements of operations as incurred or capitalized and amortized depending upon their future economic benefits. The Company does not anticipate any material capital expenditures for environmental control facilities.

**Basic and Diluted Net Loss Per Share**

The Company computes net income (loss) per share in accordance with SFAS No. 128, *Earnings per Share*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS give effect to all dilutive potential common shares outstanding during the period using the treasury stock method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive. The basic and diluted EPS has been retroactively restated to take into effect the 2 for 1 stock split that occurred on July 11, 2005.

**Concentration of Credit and Foreign Exchange Rate Risk**

Financial instruments that potentially subject the Company to credit and foreign exchange risk consist principally of cash, deposited with a high quality credit institution and amounts receivable, mainly representing value added tax recoverable from a foreign government. Management does not believe that the Company is subject to significant credit or foreign exchange risk from these financial instruments.

**3.**

**Non-Cash Transactions:**

During the periods ended March 31, 2008 and 2007, the Company entered into certain non-cash activities as follows:

	<b>2008</b>	<b>2007</b>
Operating Activities		
From issuance of shares for consulting and geological services	\$ 1,366,515	\$ 2,067,400

The Company issued 595,000 shares in exchange for services rendered at a trading value of \$1.98 for a total consideration of \$1,178,100. This amount has been expensed as stock based compensation.

An amount of \$188,415 was also expensed as stock based compensation for shares issued in prior periods.

The company also recorded \$1,674,851 of stock based compensation for services rendered. Share issuance was recorded in the prior periods.

The company issued 175,000 common shares in exchange of geological services rendered or to be rendered in subsequent periods at trading values of \$1.75 and \$ 2.63 for a total consideration of \$416,250. \$159,421 is included in prepaid and deposits.



**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Notes to Consolidated financial statements (Continued)**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**3.**

**Non-Cash Transactions: (continued)**

The company issued 18,519 common shares as payment on the San Miguel property, share issuance was recorded at a trading value of \$2.70 for total considerations of \$50,000.

**4.**

**Capital Stock:**

Authorized capital stock consists of 100,000,000 common shares with par value of \$0.001 each. Capital stock transactions of the Company during the nine months ended March 31, 2008 are summarized as follows:

The Company issued 595,000 shares in exchange for services rendered at a trading value of \$1.98 for a total consideration of \$1,178,100. This amount has been expensed as stock based compensation.

The company issued 50,000 common shares in exchange of services rendered or to be rendered in subsequent periods at a trading value of \$ 1.75 for a total consideration of \$ 87,500, of which \$22,055 has been expensed as stock based compensation and the remaining \$65,445 is included in prepaid.

The Company issued 1,000,000 units for cash proceeds of \$2,400,000. Each unit consists of one common share of the Company and one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share of the Company at a price of \$3.25 per share exercisable for a period of two years of issuance.

The following share purchase warrants and agent compensation warrants were outstanding at March 31, 2008:

	<b>Exercise</b>		<b>Remaining</b>
	<b>Price</b>	<b>Number</b>	<b>Contractual</b>
		<b>of warrants</b>	<b>Life (years)</b>
Warrants	4.77	117,750	0.18
Warrants	4.77	210,000	0.18

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Warrants	2.50	1,171,500	0.83
Agent compensation warrants	2.10	623,909	1.00
Warrants	2.90	5,199,248	1.00
Warrants	3.25	1,000,000	1.58
Outstanding and exercisable at March 31, 2008		8,322,407	

During the nine months ended March 31, 2008 the Company issued 1,000,000 warrants pursuant to private placement agreements at an exercise price of \$3.25.

	<b>March 31,</b>	<b>June 30,</b>
	<b>2008</b>	<b>2007</b>
Risk free interest rate	4.50%	4.68%
Expected dividend yield	2 years	2 years
Expected stock price volatility	62%	75%
Expected life of options	0%	0%

**PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

**Notes to Consolidated financial statements (Continued)**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**5.**

**Related Party Transactions:**

During the period ended March 31, 2008, directors received payments on account of professional fees and reimbursement of expenses in the amount of \$ 132,616 (2007: \$83,955).

On January 8, 2008, the Company issued 195,000 shares to Directors as compensation at a trading value of \$1.98 for a total consideration of \$386,100. On January 8, 2008, an officer was awarded 400,000 shares as compensation vesting immediately at a trading value of \$792,000. These shares have an internal hold period from grant date to July 9, 2008

On December 20, 2007, a director was issued 50,000 shares as compensation at a trading value of 1.75 for a total consideration of \$87,500. These shares have an internal hold period from grant date to July 9, 2008.

During the period ended March 31, 2008 the Company made payments pursuant to a premises lease agreement with a corporation having a shareholder in common with a director of the company (see Note 11).

**6.**

**Mineral Properties:**

The Company has seven mineral properties located within Sierra Madre gold district, Mexico. The Company has capitalized acquisition costs on these mineral properties as follows:

	<b>2008</b>		<b>2007</b>
San Miguel Groupings	\$ 2,468,832	\$	2,448,832
La Blanca	507,564		507,564
Santa Cruz	44,226		44,226
Andrea	20,000		20,000
Gissel	625		625
Cotaruse	10,000		10,000
Andean Gold Alliance			1,281,600

Montecristo III				189,449
Elyca		1,000,000		
	\$	4,051,247	\$	4,502,296

a.

### Interest in San Miguel Groupings

The Company has exercised its option to acquire up to a 70% interest in the San Miguel Groupings located in near Temoris, Chihuahua, Mexico. The Company's interest in the San Miguel Groupings increased as certain milestones were met as outlined in the table below:

Interest	Cash	Required	Required
Earned	Payment	Exploration	Share
		Expenditures	Issuances
35%	\$ 300,000	\$	300,000
55%	\$	\$ 1,000,000	200,000
70%	\$	\$ 1,500,000	200,000

The Company is required to make an additional payment of \$50,000 (or equivalent value of the Company's shares) on every anniversary date of the agreement (being August 3, 2005). The company issued 18,519 common shares as payment on the San Miguel property, share issuance was recorded at a trading value of \$2.70 for total considerations of \$50,000.

To earn its 55% interest in the San Miguel Groupings, the Company spent \$1,000,000 on exploration and development prior to February 3, 2007. To increase the interest to 70% the Company spent an additional \$1,500,000 prior to February 3, 2008.

**PARAMOUNT GOLD AND SILVER CORP.**

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**Notes to Consolidated financial statements (Continued)**

**(Unaudited)**

**For the Period Ended March 31, 2008**

(Expressed in United States dollars, unless otherwise stated)

**6.**

**Mineral Properties: (continued)**

**a.**

**Interest in San Miguel Groupings (continued)**

As at June 30, 2006, the company has made cash payments of \$300,000 and issued 300,000 Rule 144 Restricted Common Shares thus giving the company a 35% interest in the San Miguel Groupings.

As of June 30, 2007, the company has expended more than \$2,500,000 on exploration expenditures and issued an additional 400,000 shares at a value of \$1,160,000, thereby earning its 70% interest. Upon earning a 70% interest the company is entitled to a 30% reimbursement of exploration expenditures from its joint venture partner (see note 13).

The agreement contains a standard dilution clause where if either participant's interest has been diluted to under 20%, the interest will automatically convert into a 2% NSR and the agreement will become null and void. At any time, the NSR can be reduced to 1% by either party in exchange for a \$500,000 payment.

**b.**

**La Blanca**

During the year ended June 30, 2007, the company renegotiated its agreement on the La Blanca mining concessions. It has an option to acquire a 100% in the La Blanca property located in Guazapares, Chihuahua, Mexico. Pursuant to the option agreement, payments of \$180,000 have been made. Furthermore, the company must pay a royalty of \$1.00 for each ounce of gold or its equivalent. The Company must incur \$500,000 in exploration expenses during the period ended December 31, 2008.

**c.**

**Santa Cruz**

The Company has a 70% interest in the Santa Cruz mining concession located adjacent to the San Miguel Groupings. The terms of the agreement called for payments of \$50,000 prior to March 7, 2006 and all required payments were

made by the Company. The option also includes a 3% NSR payable to optioner.

**d.**

**Andrea**

The Company acquired the Andrea mining concession located in the Guazapares mining district in Chihuahua, Mexico for a cost of \$20,000.

The company acquired the Elyca mining concession located in the municipality of Gauzapares, State of Chihuahua for a total price of \$ 1,000,000. This amount was paid during the period ended March 31, 2008. Pursuant to the purchase agreement the company must issue an additional 250,000 shares to Minera Rio Tinto upon receipt of registration of the agreement with the Public Registry of Mining (see note 12).

**7.**

**Fixed Assets:**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	
			<b>2008</b>	<b>2007</b>
Property and Equipment	\$ 460,535	\$ 109,220	\$ 351,315	\$ 164,634

During the period ended March 31, 2008, total additions to property, plant and equipment were \$153,749 (2007-\$139,884).