

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

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

**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

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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.**

(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)

**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).

**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)

**8.**

**Recent Accounting Pronouncements:**

(i)

Fair value measurement

In September 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). The Statement provides guidance for using fair value to measure assets and liabilities. The Statement also expands disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurement on earnings. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This Statement does not expand the use of fair value measurements in any new circumstances. Under this Statement, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. SFAS 157 is effective for the Company for fair value measurements and disclosures made by the Company in its fiscal year beginning on January 1, 2008. The Company is currently reviewing the impact of this statement.

(ii)

Employers accounting for defined benefit pension and other postretirement plans

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158"). SFAS 158 requires an employer that sponsors one or more single-employer defined benefit plans to (a) recognize the overfunded or underfunded status of a benefit plan in its statement of financial position, (b) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS 87, "Employers' Accounting for Pensions", or SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", (c) measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end, and (d) disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. SFAS 158 is effective for the Company's fiscal year ending December 31, 2007. The adoption of SFAS No. 158 is not expected to have a material impact on the Company's financial position, results of operations or

cash flows.

(iii)

Accounting for servicing of financial assets

In March 2006, the FASB issued SFAS No. 156, "*Accounting for Servicing of Financial Assets*", which amends SFAS No. 140 "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*". SFAS No. 156 may be adopted as early as 1 January 2006, for calendar year-end entities, provided that no interim financial statements have been issued. Those not choosing to early adopt are required to apply the provisions as of the beginning of the first fiscal year that begins after 15 September 2006 (e.g. 1 January 2007, for calendar year-end entities). The intention of the new statement is to simplify accounting for separately recognized servicing assets and liabilities, such as those common with mortgage securitization activities, as well as to simplify efforts to obtain hedge-like accounting.

Specifically, the FASB said SFAS No. 156 permits a service using derivative financial instruments to report both the derivative financial instrument and related servicing asset or liability by using a consistent measurement attribute, or fair value. The adoption of SFAS No. 156 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.



**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)

**8.**

**Recent Accounting Pronouncements: (continued)**

(iv)

Accounting for certain hybrid instruments

In February 2006, the FASB issued SFAS No. 155, "*Accounting for Certain Hybrid Financial Instruments*", which amends SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" and SFAS No. 140. SFAS No. 155 permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or hybrid financial instruments containing embedded derivatives. The adoption of SFAS No. 155 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

(v)

Accounting for stock-based compensation:

In December 2004, the FASB revised SFAS No. 123R to require companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees, but expressed no preference for a type of valuation model. The way an award is classified will affect the measurement of compensation cost. Liability-classified awards are re-measured to fair value at each balance sheet date until the award is settled. Equity-classified awards are measured at grant-date fair value and the grant-date fair value is recognized over the requisite service period. Such awards are not subsequently re-measured.

In April 2005, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ( SAB 107 ) to provide additional guidance regarding the application of SFAS 123R. SAB107 permits registrants to choose an appropriate valuation technique or model to estimate the fair value of share options, assuming consistent application, and provides guidance for the development of assumptions used in the valuation process. Based upon SEC rules issued in April 2005, SFAS 123R is effective for fiscal years that begin after June 15, 2005 and will be adopted by the Company effective April 1, 2006. Additionally, SAB 107 discussed disclosures to be made under Management's Discussion and Analysis of Financial Condition and Results of Operations in registrants' periodic reports. The Company has not yet determined the effect of this new standard on its consolidated financial position and

results of operations.

(vi)

Accounting for non-monetary transactions:

In December 2004, the FASB issued SFAS No. 153, Exchanges of Non-monetary Assets, that amends APB Opinion No. 27, Accounting for Non-monetary Transactions. The new standard requires non-monetary exchanges to be accounted for at fair value, recognizing any gains or loss, if the transactions meet a commercial substance criterion and fair value is determinable. The amendment will be effective for non-monetary transactions occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial position and results of 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)

**9.****Segmented Information:**

Segmented information has been compiled based on the geographic regions that the company has acquired mineral properties and performs its exploration activities.

Loss for the year by geographical segment for the period ended March 31, 2008:

	<b>United States</b>	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
Interest income	\$ 417,331	\$	\$ 372	\$ 417,704
Expenses:				
Exploration ( <b>note 13</b> )	(423,810 )	34,370	5,775,979	5,386,539
Professional fees	814,313		416	814,729
Travel and lodging	310,178			310,178
Geologist fees and expenses	286,404	61,398	290,990	638,792
Corporate communications	454,035			454,035
Consulting fees	147,536			147,536
Marketing	775,159			775,159
Office and administration	257,847	99,023	13	356,883
Interest and service charges	6,114		2,291	8,405
Franchise taxes	9,275			9,275
Insurance	48,309		7,836	56,145
Amortization	27,398	24,096	22,448	73,943
Rent	66,173			66,173
Miscellaneous	3,617			3,617
Financing	93,384			93,384
Stock based compensation	5,820,767			5,820,767
Total Expenses	8,696,699	218,888	6,099,973	15,015,559

Net loss	\$	8,279,368	\$	218,888	\$	6,099,600	\$	14,597,866
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**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)

**9.****Segmented Information: (Continued)**

Loss for the year by geographical segment for the period ended March 31, 2007:

	<b>United States</b>		<b>Peru</b>		<b>Mexico</b>		<b>Total</b>
Interest income	\$ 2,695	\$		\$		\$	2,695
Expenses:							
Exploration	1,659,861		502,965		576,482		2,739,308
Professional fees	225,820		5,584				231,404
Travel and lodging	52,196		2,578				54,774
Geologist fees and expenses	1,597,617				225,342		1,822,959
Corporate communications	2,235,250						2,235,250
Consulting fees	2,850,994		42				2,851,036
Marketing	60,431						60,431
Office and administration	39,611		54,920				94,531
Interest and service charges	1,988						1,988
Insurance	64,256						64,256
Amortization	14,660		2,893				17,553
Rent	23,240						23,240
Miscellaneous	26,850						26,850
Stock Based Compensation	2,009,152						2,009,152
Total expenses	10,861,926		568,982		801,824		12,232,732
Net loss	\$ 10,859,231	\$	568,982	\$	801,824	\$	12,230,037
Assets by geographical segment:							

	United States	Peru	Mexico	Total
<b>March 31, 2008</b>				
Mineral properties	50,625	10,000	3,990,622	4,051,247
Equipment	127,749	88,582	134,984	351,315
<b>March 31, 2007</b>				
Mineral properties	625	1,799,164	2,702,507	4,502,296
Equipment	113,149	51,485		164,634

**10.****Employee Stock Option Plan:**

On August 23, 2007, the board and shareholders approved the 2007/08 Stock Incentive & Compensation Plan thereby reserving 4,000,000 common shares for issuance to employees, directors and consultants. On August 23, 2007, the board of directors granted 1,615,000 common stock options to directors and officers exercisable immediately at \$2.42 each for a term of five years.

During the period ended March 31, 2008, the board granted 50,000 common stock options to a consultant exercisable until March 1, 2013, at a price of \$2.25.

During the period ended December 31, 2007, the board of directors granted 1,342,000 common stock options to consultants exercisable until December 31, 2009, at a price of \$2.50.

**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)

**10.**

**Employee Stock Option Plan: (continued)**

Changes in the Company's stock options for the period ended March 31, 2008 are summarized below:

	<b>Number</b>	<b>Weighted Avg Exercise Price</b>
Balance, beginning of year	1,620,000	\$2.24
Granted	1,615,000	\$2.42
Granted	150,000	\$3.15
Granted	62,500	\$2.50
Granted	1,342,000	\$2.50
Granted	60,000	\$2.50
Granted	50,000	\$2.25
Expired	(60,000)	\$2.37
Balance, end of period	4,839,500	\$2.43

At March 31, 2008, there were 4,839,500 exercisable options outstanding.

**Stock Based Compensation**

The company uses the Black-Scholes option valuation model to value stock options granted. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following assumptions were used:

	<b><u>2008</u></b>
Risk free interest rate	4.50%
Expected dividend yield	0%
Expected stock price volatility	62%
Expected life of options	2 to 5 years

The grant-date fair value of options granted during the period ended March 31, 2008 was between \$0.45 -\$1.03.

Total stock-based compensation related to the issuance of options for the period ended March 31, 2008 was \$2,752,841.

**11.**

**Commitments:**

**Premises Lease**

By a lease agreement dated July 6, 2006, with a company having a shareholder in common with a director of the Company, the Company agreed to lease office premises for three years commencing August 1, 2006 for the following consideration:

2008	\$
	80,798
2009	87,885

**12.**

**Subsequent Events**

Subsequent to March 31, 2008, the Company will be issuing 250,000 shares to Minero Rio Tinto as part of the purchase agreement for the Elyca property.



**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)

**13.**

**Unrecorded Accounts Receivable**

The Company has not recorded amounts receivable from Tara Gold Resources Corp. (formerly American Stellar Energy ) on account of its share of expenditures on the San Miguel project. A balance of \$ 348,926 is owed from the 2007 exploration program. As collection is not reasonably assured, the Company has not recognized any recovery. The amount will be recorded as a recovery of exploration expenditures in the period received.

During the last 9 months ended March 31, 2008 the company recorded recoveries of \$1,661,071 (2007 - \$Nil). This amount has been recorded against exploration expenses; total exploration expenses before recoveries are \$ 7,047,610 for the last 9 months ended March 31, 2008.

**Item 2.**

**Management's Discussion and Analysis of Financial Condition and Results of Operation**

THE FOLLOWING DISCUSSION OF THE RESULTS OF OUR OPERATIONS AND FINANCIAL CONDITION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this quarterly report on Form 10-Q contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Readers should carefully review this quarterly report in its entirety, including but not limited to our financial statements and the notes thereto. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

**Background**

We are an exploration stage mining company which has as its core business, precious metals exploration. Our primary focus is the San Miguel Groupings property in Mexico.

Our primary objective is to:

Explore and develop the San Miguel and Andrea projects located in Chihuahua, Mexico within the Sierra Madre Occidental gold/silver belt.

There is no assurance that a commercially viable mineral deposits exist on the San Miguel Groupings. Further exploration will be required before a final evaluation as to the economic and legal feasibility is determined.

Paramount does not expect to generate revenues from the San Miguel project in the next year. Further, it is not Paramount's objective to enter the mine management business. Rather, the Company hopes to identify a resource that will enable it to attract a larger company to partner with this company who has experience developing and managing a mine.

**Market for Gold and Silver:**

The demand for gold and silver has created a bull market for both metals over the past several years. While there will likely continue to be increased volatility of market prices in the short run due to seasonality or speculation, the growth of the world's economy is driving demand for raw materials that has drawn down supplies. Despite concerns for a slowing U.S. economy, a growing middle class in both China and India is driving demand for precious metals. There also remains increased interest in holding precious metals such as gold and silver as a store of value during periods of increasing anxiety of either errant monetary policies or strained international relations. Contributing further to the increasing price of both gold and silver is the fall in the value of the US dollar against other major foreign currencies and the deteriorating economic indicators in the United States.

Gold prices have generally trended upward during the last five years, from a low of just under \$260 per ounce in early 2001 to a high of \$1,010 per ounce in March 2008. Silver prices have experienced similar price increases from a low of approximately \$4.25 per ounce to a high of \$21.00 in March 2008. Even though the price of both gold and silver have declined since reaching their highs in March 2008, management remains encouraged with its drilling program and will continue to drill additional exploratory holes. If commercially recoverable deposits are identified, management intends to enter into an agreement with a mining partner who has experience in mining operations.

## **Financings:**

Our operations to date have been funded by equity investment. Most of our equity funding has come from a private placement of our securities which we closed on March 30, 2007 in the amount of \$21,836,841. The financing consisted of the sale of 10,398,496 units (the Units ) at a price of \$2.10 per Unit (the Issue Price ). Each unit was comprised of one share of Common Stock and one-half of one common stock purchase warrant of the Company. Each whole Warrant shall entitle the holder thereof to acquire one share of common stock in the capital of the Company (a Warrant Share ) at an exercise price of \$2.90 for 24 months following the closing date of the offering.

On November 6, 2007, the Company completed a private placement financing in the amount of \$2.4 million. The Company sold 1,000,000 units of its securities in this financing, each unit consisting of one share of common stock and one common stock purchase warrant. Each common stock purchase warrant entitles the holder thereof to purchase one share of common stock at an exercise price of \$3.25 per share for a period of two years.

The following discussion provides information that management believes is relevant to an assessment and understanding of our operations and the consolidated financial condition and results of operations.

## **Our Operations:**

### *Property Description and Location*

#### ***San Miguel Groupings.***

Our primary focus is the further exploration of our holdings within the San Miguel groupings in Chihuahua, Mexico within the Sierra Madre Occidental. We have a 70% interest in this project and we are the joint venture operator. Our joint venture partner is required to pay its proportionate share of all costs associated with exploration of the San Miguel project.

Further we are evaluating and preparing for drill testing geochemical targets at the 100% owned, 86,000 Hectare Andrea project also located in Chihuahua, Mexico

## **SAN MIGUEL OVERVIEW**

### *Location*

The San Miguel Project is located in southwestern Chihuahua in Northern Mexico, and is approximately 400 km by road from the state capital. The project is about 20 km north of the town of Temoris, adjacent to the village of Guazapares. It is accessible by vehicle and railway and has a well developed infrastructure with a recently constructed 33,000 volt power line. It is in the Guazapares mining district, which is part of the Sierra Madre Occidental gold-silver belt.

The location of the San Miguel Project is shown in Map 1. The coordinate system used for all maps and sections in this report is the Universal Transverse Mercator system, Zone 12. GPS coordinates are referenced to NAD 27 Mexico.



The Chihuahua Informe Pericial (Department of Mines) administers the concessions in this area. As part of the concession acquisition process, concession boundaries are surveyed.

**MAP 1 SAN MIGUEL PROJECT LOCATION**

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## **Geology of the Area**

### *Land Area*

Until recently the San Miguel Project consisted of 16 smaller concessions clustered near Guazapares with a total area of 429.57 hectares, along approximately 8 kilometers of vein system strike length. Exploration efforts to date have been focused on this group. Recently the much larger Andrea, Gissel and Isabel concessions have been staked and a letter of intent to form a joint venture has been signed with Garibaldi Resources Corporation as part of a district wide exploration program. These concessions add 86,000 and 6,000 hectares, respectively, to the project.

### *Deposit Types*

At the San Miguel project, mineralization consists of epithermal, low sulfidation, gold/silver vein and breccia deposits which occur in north-northwest trending, steeply dipping structures. This type of mineralization is typical of the Sierra Madre Occidental gold-silver metallogenic province. It is this type of mineralization that has been exploited in the region since early Spanish colonial times.

These are multi-phase deposits which produced several phases of cross-cutting breccias and related hydrothermal alteration. Alteration ranges from peripheral propylitization to argillic alteration to strong to intense silicification, often with adularia development. This mineralization is physically expressed as sheeted quartz veins, silicified hydrothermal breccias, and vuggy, quartz- filled expansion breccias. Amethystine quartz is locally present. At many



such deposits, such as those nearby at Palmarejo, there are at least two stages of gold-silver mineralization. The first is characterized by pyrite, sphalerite, galena and argentite in structurally controlled quartz vein breccias. There is often a later fine-grained, higher-grade, gold-silver, base metal-deficient phase cross-cutting the first. While Paramount has not yet carried out any detailed paragenetic studies, exposures in the San Jose and San Luis workings seem to confirm that sequence.

*Drilling Summary*

Paramount began drilling at the San Miguel Project in late April 2006. Drilling began at the Sangre de Cristo area, followed by the Montecristo area. In June 2006, the main portion of the program began at the San Luis

area in the center of the Guazapares district on the outskirts of the village of Guazapares, followed by the La Union, San Jose and San Antonio areas. Several periods of drilling had taken place at Guazapares in the past, including those by ASARCO in the 1950 s, by Penoles in the mid 1970 s and a few holes by Kennecott in the 1990 s.

The San Miguel project has been divided into five zones, each with different geology, and thus, with a different development strategy they are:

1.

San Antonio

2.

Montecristo

3.

San Luis

4.

San Miguel

5

Guadalupe de los Reyes

**UPDATE:**

To date, more than 35,000 meters have been drilled in approximately 175 diamond drill holes, with results pending on several of these holes. More than 3,700 meters of trenching have been completed in 69 trenches testing only 7 kilometers of more than 10 kilometers of strike. All were angle holes and most were drilled at an angle of 55 to 65 degrees.

In most places the veins are dipping at angles from 60 to 70 degrees, thus a 55 degree hole oriented to intersect the vein would have cut it at an angle of approximately 60 degrees, rather than perpendicular to the vein. True thickness of the vein intercepts then is perhaps 80% of the apparent thickness in the core.

**Recent Drill Assay Highlights:**

**Zone 2:**

**Montecristo Zone**

Exploratory activities continue in the Montecristo zone. This Zone is located in the north eastern part of the San Miguel project in the Guazapares Mining District, Mexico. The Montecristo Zone lies 2.7 kilometers east of the newly discovered 'Clavo 99' in the San Miguel Zone.

Highlights of the results from Montecristo include: 31.71 meters of 1.38 g/t Au eq., 1.81 meters of 9.07 g/t Au eq., and 0.77 meters of 10.72 g/t Au eq.

These drill holes are located inside the Montecristo Zone which contains bulk-tonnage gold-silver targets associated with a rhyodacite dome complex. Gold and silver occur there largely as veinlets and disseminations in the silicified and brecciated margins of the intrusive bodies of the dome complex. This silicified breccia mineralization is cut by higher grade veins, some of which have old mine workings on them (see map of Montecristo Zone at [www.paramountgold.com](http://www.paramountgold.com)).

Initial rock chip sampling indicated that precious metal values extend tens of meters into the breccias away from the veins. Drilling was designed to test some of the veins and the wide breccia zones enclosing them. The eleven diamond drill holes cut a total of eight vein intercepts with an average grade of 7.83 grams per ton of gold equivalent, and an average true width of 1.0 meter; these intercepts ranged from a grade of 4.14 to 10.72 g/t of gold equivalent and from a true width of 0.8 to 1.8 meters. Some of these intercepts are from veins that were unknown before this drilling took place. The drill holes also cut five intercepts of silicified breccia with an average grade of 1.15 grams per ton of gold equivalent, and an average true width of 27.6 meters; these intercepts ranged from a grade of 0.92 to 1.38 g/t of gold equivalent and from a true width of 26 to 32 meters.

Highlights of these assay results are seen in the table below:

<b>Hole</b>	<b>From</b>	<b>To</b>	<b>Interval</b>	<b>True Width</b>	<b>Gold</b>	<b>Silver</b>	<b>Gold Equiv.</b>
Number	(meters)	(meters)	(meters)	(meters)	(grams/ton)	(grams/ton)	(grams/ton)
<b>SC-01</b>	<b>24.50</b>	<b>41.90</b>	<b>17.40</b>	<b>15.76</b>	<b>0.15</b>	<b>7.80</b>	<b>0.28</b>
<b>SC-02</b>	<b>15.00</b>	<b>44.70</b>	<b>29.70</b>	<b>25.72</b>	<b>0.05</b>	<b>61.78</b>	<b>1.08</b>
	92.50	93.50	1.00	0.77	0.43	326.00	5.86
<b>SC-03</b>	<b>27.20</b>	<b>58.70</b>	<b>31.50</b>	<b>27.28</b>	<b>0.06</b>	<b>51.00</b>	<b>0.92</b>
<b>SC-04</b>	<b>27.40</b>	<b>57.00</b>	<b>29.60</b>	<b>25.63</b>	<b>0.11</b>	<b>57.00</b>	<b>1.06</b>
	<i>including:</i>			1.65	0.16	155.00	2.75
	<b>53.70</b>	<b>70.00</b>	<b>16.30</b>	<b>14.77</b>	<b>0.09</b>	<b>46.00</b>	<b>0.86</b>
<b>SC-05</b>	70.00	105.00	35.00	31.71	0.12	75.51	1.38
	<i>including:</i>			0.91	0.18	424.00	7.25
				1.81	0.49	515.00	9.07
<b>SC-06</b>	<b>8.60</b>	<b>22.00</b>	<b>13.40</b>	<b>11.60</b>	<b>0.14</b>	<b>43.00</b>	<b>0.86</b>
	132.50	134.30	1.80	1.27	0.37	226.00	4.14
<b>SC-07</b>	<b>0.00</b>	<b>38.80</b>	<b>38.80</b>	<b>31.78</b>	<b>0.20</b>	<b>10.00</b>	<b>0.36</b>
	<i>including:</i>			12.61	0.29	13.00	0.51
<b>SC-08</b>	<b>8.30</b>	<b>26.83</b>	<b>18.53</b>	<b>14.19</b>	<b>0.41</b>	<b>16.00</b>	<b>0.68</b>
	44.50	46.50	2.00	1.53	0.15	79.00	1.46
	<b>0.00</b>	<b>18.50</b>	<b>18.50</b>	<b>14.17</b>	<b>0.24</b>	<b>19.67</b>	<b>0.57</b>
	18.50	54.65	36.15	27.69	0.16	64.03	1.23
<b>SC-09</b>				0.77	0.39	389.00	6.87
	<i>including:</i>			1.69	0.04	14.30	0.27
				24.36	0.17	43.73	0.90
				0.88	0.00	438.00	7.30
	90.50	91.50	1.00	0.77	10.65	3.90	10.72
	<b>0.00</b>	<b>7.20</b>	<b>7.20</b>	<b>5.09</b>	<b>0.18</b>	<b>24.00</b>	<b>0.58</b>
<b>SC-10</b>	7.20	8.40	1.20	0.85	0.13	412.00	7.00
	17.00	21.00	4.00	2.83	0.05	44.00	0.78
<b>SC-11</b>	<b>47.00</b>	<b>52.00</b>	<b>5.00</b>	<b>2.87</b>	<b>0.03</b>	<b>39.00</b>	<b>0.63</b>
	56.80	65.00	8.20	4.71	0.03	30.00	0.55



**Zone 4:**

**San Miguel Zone**

The Company continues to explore mineralized deposits in the San Miguel Zone of its San Miguel project, which hosts Paramount's recently discovered Clavo 99.

Drilling commenced in this area with four holes, SM-01 to SM-04, and were selected because of very good grades in 12 surface channel samples across the vein, which averaged 9 meters at 4.22 g/t Au Eq. This area also has several shallow old mine workings, which had high precious metal grades according to local miners. The assay results tabulated below support that suggestion. These results are particularly exciting because the ratio of gold to silver is significantly higher than at other portions of the property.

The results from holes SM-05 to SM -18 released from the San Miguel Zone allowed Paramount to confirm their first high grade zone, which is named Clavo 99 . These drill holes extended the high grade gold and silver mineralization found in holes SM-01 to SM-04 by a 100m down dip: SM-13 (12.53m of 1.38 g/t Au Eq. and 1.03m of 9.26 g/t Au), SM-15 (4.02m of 13.87 g/t Au Eq.) and SM-18 (8.03m of 2.22 g/t Au Eq.), and 100m along strike to the southeast: SM-05 (5.06m of 3.71 g/t Au Eq.) and SM-07 (6.65m of 5.18 g/t Au Eq.).

The next two sets of results, SM-19 through SM-24 further extended the parameters of Clavo 99 to at least 400 m long and persists to a depth of at least 200m. Drilling continues with the intention of extending Clavo 99 both along strike and to greater depths. Below are a summary of all assay results (SM-01 through SM-24) released from the San Miguel Zone as of March 31, 2008.

<b>Hole</b>	<b>From</b>	<b>To</b>	<b>Interval</b>	<b>True Width</b>	<b>Gold</b>	<b>Silver</b>	<b>Gold Equiv.</b>	<b>Gold Equiv.</b>
Number	Meters	Meters	Meters	Meters	grams/ton	grams/ton	grams/ton	grams x meters
<b>SM-01</b>	<b>42.00</b>	<b>72.00</b>	<b>30.00</b>	<b>19.29</b>	<b>0.32</b>	<b>113.00</b>	<b>2.20</b>	<b>42.44</b>
	<i>Including:</i>			4.82	0.51	296.00	5.45	26.27
	72.00	86.00	14.00	9.00	2.99	149.00	5.48	49.32
	<i>Including:</i>			2.57	7.08	373.00	13.30	34.18
<b>SM-02</b>	<b>50.45</b>	<b>65.00</b>	<b>14.55</b>	<b>11.15</b>	<b>0.47</b>	<b>220.00</b>	<b>4.13</b>	<b>46.05</b>
	<i>Including:</i>			0.31	2.93	3160.00	55.60	17.24
<b>SM-03</b>	<b>34.50</b>	<b>48.10</b>	<b>13.60</b>	<b>10.42</b>	<b>0.48</b>	<b>410.00</b>	<b>7.33</b>	<b>76.38</b>
	<i>Including:</i>			0.77	1.86	2610.00	45.36	34.93
	48.10	48.55	0.45	0.34	Cavity			
	48.55	60.50	11.95	9.15	0.37	105.00	2.12	19.40
	<i>Including:</i>			0.77	1.26	384.00	7.66	5.90
<b>SM-04</b>	<b>30.20</b>	<b>36.00</b>	<b>5.80</b>	<b>4.44</b>	<b>0.13</b>	<b>595.00</b>	<b>10.05</b>	<b>44.62</b>
	52.70	56.80	4.10	3.14	0.96	545.00	10.03	31.49
	<i>Including:</i>			0.61	1.93	1445.00	26.01	15.87
	95.30	100.00	4.70	3.60	13.93	115.00	15.85	57.06
	<i>including:</i>			0.69	47.90	138.00	50.20	34.64
<b>SM-05</b>	<b>50.75</b>	<b>57.90</b>	<b>7.15</b>	<b>5.06</b>	<b>1.05</b>	<b>159.00</b>	<b>3.71</b>	<b>18.76</b>
	<i>Including:</i>			3.01	0.99	258.86	5.30	15.95
<b>SM-06</b>	<b>51.90</b>	<b>62.00</b>	<b>10.10</b>	<b>7.14</b>	<b>0.82</b>	<b>41.00</b>	<b>1.50</b>	<b>10.71</b>
	<i>Including:</i>			1.34	2.28	120.00	4.29	5.76
	98.50	115.00	16.50	10.94	0.75	18.00	1.05	11.49
	<i>Including:</i>			1.00	4.49	19.00	4.81	4.81



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<b>SM-07</b>	<b>45.00</b>	<b>48.60</b>	<b>3.60</b>	<b>2.55</b>	<b>0.48</b>	<b>60.00</b>	<b>1.48</b>	<b>3.77</b>
	48.60	50.80	2.20	1.56	Cavity			
	50.80	56.00	5.20	3.68	0.46	67.00	1.58	5.81
	56.00	56.60	0.60	0.42	Cavity			
	56.60	66.00	9.40	6.65	0.93	255.00	5.18	34.43

<b>SM-09</b>	<b>74.35</b>	<b>75.15</b>	<b>0.80</b>	<b>0.57</b>	<b>2.70</b>	<b>129.00</b>	<b>4.85</b>	<b>2.74</b>
	84.20	86.50	2.30	1.63	1.03	147.00	3.47	5.64
	102.65	108.00	5.35	3.78	2.44	216.47	6.05	22.87
	Including:			1.27	6.75	15.00	7.00	8.91
	Including:			0.71	0.00	1050.00	17.50	12.37
	133.00	135.00	2.00	1.15	4.30	88.00	5.75	6.59
<b>SM-10</b>	<b>54.90</b>	<b>58.90</b>	<b>4.00</b>	<b>2.83</b>	<b>1.23</b>	<b>207.00</b>	<b>4.69</b>	<b>13.26</b>
	134.00	134.80	0.80	0.40	3.94	107.00	5.72	2.29
	134.80	136.30	1.50	0.75	Cavity			
	136.30	137.10	0.80	0.40	3.61	91.00	5.13	2.05
<b>SM-11</b>	<b>26.50</b>	<b>28.20</b>	<b>1.70</b>	<b>1.30</b>	<b>0.28</b>	<b>140.00</b>	<b>2.60</b>	<b>3.39</b>
	65.30	69.30	4.00	3.06	2.10	15.00	2.35	7.20
	85.00	86.00	1.00	0.77	64.70	0.00	64.70	49.56
	154.10	155.30	1.20	0.77	93.70	0.00	93.70	72.19
<b>SM-13</b>	<b>122.10</b>	<b>123.70</b>	<b>1.60</b>	<b>1.03</b>	<b>6.39</b>	<b>172.00</b>	<b>9.26</b>	<b>9.52</b>
	including			0.51	12.65	231.00	16.50	8.48
	123.70	143.20	19.50	12.53	0.76	37.23	1.38	17.30
	including			4.82	1.22	78.23	2.52	12.15
	157.00	163.80	6.80	4.37	1.04	5.76	1.13	4.94
<b>SM-14</b>	<b>38.00</b>	<b>41.00</b>	<b>3.00</b>	<b>2.60</b>	<b>0.48</b>	<b>33.00</b>	<b>1.03</b>	<b>2.68</b>
<b>SM-15</b>	<b>130.80</b>	<b>132.70</b>	<b>1.90</b>	<b>1.14</b>	<b>3.30</b>	<b>502.95</b>	<b>11.68</b>	<b>13.32</b>
	including			0.48	6.02	1090.00	24.19	11.61
	139.00	145.70	6.70	4.02	4.32	572.73	13.87	55.76
	including			0.60	4.85	1785.00	34.60	20.76
	including			0.60	15.40	186.00	18.50	11.10
	148.40	151.10	2.70	1.62	7.94	35.00	8.53	13.82
<b>SM-16</b>	<b>45.50</b>	<b>49.70</b>	<b>4.20</b>	<b>3.64</b>	<b>0.51</b>	<b>323.00</b>	<b>5.89</b>	<b>21.42</b>
	140.00	148.00	8.00	6.93	0.98	4.00	1.05	7.27

<b>SM-18</b>	<b>93.30</b>	<b>99.00</b>	<b>5.70</b>	<b>3.66</b>	<b>0.10</b>	<b>292.00</b>	<b>4.96</b>	<b>18.15</b>
	99.00	105.40	6.40	4.11	0.06	55.00	0.97	3.99
	139.00	151.60	12.60	8.03	1.53	41.00	2.22	17.82
	including			1.28	4.90	118.00	6.86	8.81
	including			1.28	3.41	6.00	3.50	4.49

<b>SM-19</b>	<b>53.00</b>	<b>54.10</b>	<b>1.10</b>	<b>0.95</b>	<b>1.10</b>	<b>5.00</b>	<b>1.18</b>	<b>1.12</b>
<b>SM-20</b>	<b>117.55</b>	<b>121.30</b>	<b>3.75</b>	<b>2.65</b>	<b>1.23</b>	<b>834.00</b>	<b>15.12</b>	<b>40.09</b>
	<i>Including:</i>			0.92	2.51	1615.00	29.43	27.05
	129.50	138.35	8.85	6.26	2.41	20.00	2.75	17.21
<b>SM-21</b>	<b>76.80</b>	<b>82.85</b>	<b>6.05</b>	<b>5.48</b>	<b>0.22</b>	<b>47.00</b>	<b>1.01</b>	<b>5.54</b>
	<i>including:</i>			0.91	0.18	139.00	2.50	2.27
<b>SM-22</b>	<b>69.90</b>	<b>73.50</b>	<b>3.60</b>	<b>2.95</b>	<b>0.96</b>	<b>47.00</b>	<b>1.74</b>	<b>5.13</b>
<b>SM-23</b>	<b>87.50</b>	<b>88.50</b>	<b>1.00</b>	<b>0.87</b>	<b>3.74</b>	<b>26.00</b>	<b>4.17</b>	<b>3.61</b>
<b>SM-24</b>	<b>132.50</b>	<b>144.50</b>	<b>12.00</b>	<b>10.39</b>	<b>3.52</b>	<b>60.00</b>	<b>4.53</b>	<b>47.08</b>
				2.86	2.91	134.85	5.15	14.72
	<i>including:</i>			0.87	12.65	190.00	15.82	13.70
				6.67	2.61	11.35	2.80	18.65
	146.60	147.80	1.20	1.04	4.13	16.00	4.40	4.57
	154.70	155.40	0.70	0.61	1.70	6.00	1.80	1.09
<i>Average:</i>	132.50	155.40	22.90	19.83	2.19	32.88	2.74	54.29

Maps of all the zones are available at [http://www.paramountgold.com/projects/san\\_miguel\\_maps.asp](http://www.paramountgold.com/projects/san_miguel_maps.asp).

#### **Zone 5:**

##### **Guadalupe de Los Reyes Zone**

The Company has recently completed assay results from sampling of veins and breccias in the previously untested Guadalupe de Los Reyes area in its San Miguel project. The Guadalupe de Los Reyes area is inside the large rhyodacite dome complex that is exposed between the San Miguel and Montecristo zones. The better precious metals grades are associated with northeast and northwest trending fault zones, which is consistent with our project exploration model. Gold and silver occur in quartz veins and hydrothermal breccias along the faults, as well as in adjacent quartz veinlet stockworks and breccias.

The principal structure is exposed for approximately one hundred meters along strike, and appears to continue under cover to the northeast. The Guadalupe de Los Reyes mine is found on this principal structure and is the site of historic,

small-scale, high-grade gold production.

Sampling and geologic mapping are ongoing, tracing these structures and parallel ones along strike, with the goal of defining drilling targets. These recent are particularly exciting because they indicate that this is a gold-dominant part of the system, with excellent gold grades and high gold-to-silver ratios. As noted in the table below, the mineralization exposed on the surface is several meters wide with grades in the 3.7 to 6.6 grams of gold per ton range. Underground sampling of accessible portions of the old Guadalupe de Los Reyes mine, down to a depth of 20 meters from the surface, included short intervals with grades of up to 20.7 grams of gold per ton.

**Surface samples:**

<u>Width (m)</u>	<u>Au (g/t)</u>	<u>Ag (g/t)</u>
5.8	3.69	35
5.4	6.64	10
Underground samples (Guadalupe de Los Reyes Mine):		
1.0	20.70	30
1.0	18.45	64
1.8	11.05	34

**Quality Control**

Paramount takes detailed digital photos of the entire core before it is cut by saw to half core which is assayed at ALS Chemex's Vancouver laboratory. As part of quality assurance, quality control (QA/QC), Paramount has put into place a detailed program of periodically introducing certified standards, blanks and duplicates into the sample stream. Half-core samples are being retained on site for verification and reference purposes.

The qualified person who reviews the news releases is Dana C. Durgin, M. Sc. Economic Geology. He is a Certified Professional Geologist (CPG #10364) with the American Institute of Professional Geologists, and a Registered Professional Geologist in Wyoming (PG-2886).

**Comparison of Operating Results for the Three and Nine Months ended March 31, 2008 to the Three and Nine Months Ended December 31, 2007****Revenues**

We are an exploratory mining company with no revenues from operations to date. All of our revenues to date represent interest income which we have earned as a result of our cash holdings. Our cash holdings were generated from the sale of our securities. Interest income for the three and nine months ended March 31, 2008 were \$81,146 and \$417,704 as compared to \$2,434 and \$2,695 for the three and nine months ended March 31, 2007. Total interest earned since inception (March 25, 2005) is \$693,169. The interest income has been generated as a result of financings which were concluded in 2007. Monies are deposited in interest bearing accounts until such time as needed for drilling and general working capital purposes. Unless we receive additional funds from the exercise of outstanding options or warrants, we anticipate that our interest income will decline as our cash reserves will diminish as we expand our exploratory activities.

**Operating Expenses**

For the three and nine months ended March 31, 2008 our total operating expenses were \$4,716,907 and \$15,015,569 as compared to \$6,255,101 and \$12,235,832 for the three and nine months ended March 31, 2007. Total expenses since inception through March 31, 2008 were \$32,629,163. Total operating expenses for the three months ended March 31, 2008 as compared to the three months ended March 31, 2007 declined approximately 25% while total operating expenses for the nine months ended March 31, 2008 reflect an overall increase of approximately 23%.

Exploration costs continue to be our single largest expense items increasing from \$771,964 to \$1,657,369 and from \$2,739,308 to \$5,386,539 for the three and nine months ended March 31, 2007 as compared to the comparable periods

in 2008. Our total exploratory costs since inception are \$10,279,461. We expect that we will continue to incur a minimum of \$500,000 per month in exploratory drilling costs for the next three months as the Company continues to expand its drilling program based on the drilling results received to date and the attempt to identify proven mineral reserves of both gold and silver, of which there can be no assurance.

In order to preserve cash for drilling expenses, we continue to rely on stock based compensation. Stock based compensation has proven to be an attractive means to compensate some of our key employees, directors and consultants. Management believes that by utilizing the Company's common stock as incentive for quality work, the return on its investment will in the long run, be more beneficial to the Company than simply cash compensation. In addition, we have used our common stock to finance the acquisition of several of our mineral properties. Stock based compensation declined from \$2,009,152 to \$1,574,510. Since we did not rely upon stock based compensation until our third fiscal quarter in 2007, overall stock compensation for the nine months ended March 31, 2008 was \$5,820,777. Total stock based compensation since inception is \$13,957,572.

Since acquiring our 70% interest in the San Miguel groupings, we have spent \$1,675,343 in geology fees and related expenses. Most of these fees were incurred during the first nine months of 2007. Geologists had to be hired to evaluate the mining concessions and identify the most advantageous locations to drill holes. Drilling expenses for the three and nine months ended March 31, 2008 were \$432,349 and \$638,792 as compared to \$933,418 and \$1,822,959 during the comparable period in 2007.

Corporate communications fees, declined to \$135,202 and \$454,035 for the three and nine months ended March 31, 2008 from \$904,947 and \$2,235,250 during the comparable period in 2007. During 2006, a significant portion of this expense was stock based compensation while during 2007, we relied primarily upon our cash reserves for these expenses. Notwithstanding the foregoing, stock based compensation for the nine months ended March 31, 2008 totaled \$5,820,777 as compared to \$2,009,152 for the comparable period in 2007.

With the growth and success of the Company's exploration program, our dual listings on the American Stock Exchange and the Toronto Stock Exchange we believe that market awareness and investor relations is a critical component of our business strategy. As a result, marketing expenses increased to \$275,851 and \$775,159 for the three and nine months ended March 31, 2008 as compared to \$ 21,969 and \$ 60,431 for the comparable period in 2006. As our operations increase and we bring more work in-house, office and administrative expenses increased to \$133,160 and \$356,883 for the three and nine months ended March 31, 2008 as compared to \$69,086 and \$94,531 for the comparable periods in 2007.

Professional fees for the three and nine months ended March 31, 2008 increased to \$288,922 and \$814,729 from \$182,741 and \$231,404 for the comparable periods in 2007. Professional fees incurred with respect to our listing on the American Stock Exchange, Toronto Stock Exchange, legal fees incurred with respect to our mining operations in Mexico as well as regulatory compliance matters were the primary reason for this significant increase in expenses.

### **Net Income (loss)**

Our Net Loss for the three and nine months ended March 31, 2008 was \$(4,635,761) and \$(14,597,866) as compared to a net loss of \$(6,252,667) and \$(12,230,037) in 2007. Due to foreign currency translation adjustments, our total comprehensive loss for the three and nine months ended March 31, 2008 was \$(4,672,302) and \$(14,606,859). Our Net Loss per Share was \$ (0.096 and \$(0.308) as compare to a Net Loss per Share of \$(0.163) and \$(0.357) during the comparable periods in 2007. Until such time as we are able to identify mineral deposits which we believe can be extracted in a commercially reasonable manner, of which there can be no assurance, we will continue to incur ongoing losses.

### **Liquidity and Capital Resources**

#### ***Assets and Liabilities***

March 31, 2008 as compared to June 30, 2007

As of March 31, 2008, we had cash totaling \$8,255,387 as compared to \$16,231,388 as of June 30, 2007. This decline of approximately \$8 million is directly attributable to increased costs associated with our expanding drilling operations and general overhead. Amounts receivable totaled \$1,073,734 as compared to \$944,069 and represent primarily value added tax refunds receivable from the Mexican government. Prepaid expenses and deposits were \$498,614 as compared to \$1,741,625. The significant decline in prepaid expenses is primarily attributable to stock based compensation which has been earned since the date of issuance of the common stock. Total current assets were



\$9,827,734 as compared to \$18,917,082.

Our long term assets at March 31, 2008 totaled \$4,402,562 as compared to \$3,272,756 as of June 30, 2007. Long term assets consist of our mineral properties located within the Sierra Madre gold district in Mexico which we valued at \$4,051,247. The Company has capitalized the acquisition costs of these properties. We also have fixed assets consisting of property and equipment totaling \$351,315 as compared to \$271,509 as of June 30, 2007.

Total assets at March 31, 2008 were \$14,230,297 as compared to \$22,189,838 as of June 30, 2007. This represents a decline of approximately 36% which is primarily attributable to a decline in our cash holdings of approximately 51%. We will continue to utilize our cash to finance our expanding drilling operations and for general corporate expenses.

Our current liabilities as of March 31, 2008 totaled \$779,460 as compared to \$779,345, at June 30, 2007.

We have a working capital surplus at March 31, 2008 (current assets less current liabilities) of \$9,048,274 as compared to a working capital surplus of \$18,137,737 as of June 30, 2007, representing a decline of approximately 50%. We anticipate that we will be able to meet our currently existing ongoing contractual commitments for any property or mineral rights and have sufficient financial resources to fund our ongoing exploration and geological endeavors.

### **Off-Balance Sheet Arrangements**

We are not currently a party to, or otherwise involved with, any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **CRITICAL ACCOUNTING POLICIES**

Financial Reporting Release No. 60, which was released by the Securities and Exchange Commission (the SEC), encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. The Company's consolidated financial statements include a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements. Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

**Use of Estimates** - Management's discussion and analysis or plan of operation is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates, including those related to allowances for doubtful accounts receivable and long-lived assets. Management bases these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We review the carrying value of property and equipment for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

Effective January 1, 2006, we adopted the provisions of SFAS No. 123(R), *Share-Based Payment*, under the modified prospective method. SFAS No. 123(R) eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, we are required to recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously

required by SFAS No. 123, as amended by SFAS No. 148, will continue to be required under SFAS No. 123(R) to the extent those amounts differ from those in the Statement of Operations.

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.

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.

### **Item 3.**

#### **Quantitative and Qualitative Disclosures About Market Risk.**

N/A

### **Item 4.**

#### **Controls and Procedures.**

As of the end of the period covered by this Report, the Company's President, and principal financial officer (the Certifying Officers), evaluated the effectiveness of the Company's "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, these officers concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934 is accumulated and communicated to management, including those officers, to allow timely decisions regarding required disclosure.

The Certifying Officers have also indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including the Certifying Officers, do not expect that our disclosure controls or our internal controls will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of

controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Item 4(t)**

**Controls and Procedures**

The information required pursuant to item 4(t) has been provided in Item 4.

## PART II. OTHER INFORMATION

### Item 1.

#### Legal Proceedings.

None.

### Item 1(a)

#### Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-KSB for the period ended June 30, 2007.

### Item 2.

#### Unregistered Sales of Equity Securities,

On January 8, 2008 we issued a total of 595,000 shares of our common stock to members of our Board of Directors pursuant to the 2007/08 Equity Plan.

Name:

No. of Shares

John Carden

50,000

Daniel Hachey

50,000

Charles W. Reed

40,000

Ian Talbot

55,000

Christopher Crupi

400,000

The shares were issued in consideration for the various committee positions on which each of the Board members served and in the case of Mr. Crupi, for his performance as chief executive officer.

**Item 3.**

**Defaults upon senior securities.**

None

**Item 4.**

**Submission of matters to a vote of security holders.**

None

**Item 5.**

**Other information**

None

**Item 6.**

**Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Articles of Incorporation filed for a name change on August 24, 2007 filed as an exhibit to our Form 8-k filed November 2, 2005
3.2	Certificate of Amendment to Articles of Incorporation filed as exhibit to our Form 8-k filed August 28, 2007
3.3	Bylaws. Filed as an exhibit to our Form 8-k filed August 28, 2007
4.1	2006/07 Stock Incentive and Equity Compensation Plan filed as an exhibit to our Form S-8 Registration Statement filed November 11, 2006
4.2	2007/08 Stock Incentive and Equity Compensation Plan filed as an exhibit to our proxy statement filed on June 29, 2007
4.3	Registration Rights Agreement filed as an exhibit to Form 8-k filed April 6, 2007
4.4	Warrant Agreement filed as an exhibit to Form 8-k filed April 6, 2007
4.5	Broker Warrant Agreement filed as an exhibit to Form 8-k filed April 6, 2007
4.6	Form of Warrant Agreement issued to Anima S.G.R.p.a. and affiliates filed on Form S-3 filed January 24, 2008
10.1	

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Option Agreement on San Miguel Properties. Filed as an exhibit to Form 10-Sb on November 2, 2005

- 10.2 Agency Agreement with Blackmont Securities filed as an exhibit to Form 8-k on April 6, 2007
- 31.1 Section 302 Certification of the Principal Executive Officer \*
- 31.2 Section 302 Certification of the Principal Financial Officer \*
- 32.1 Section 906 Certification of the Principal Executive Officer \*
- 32.2 Section 906 Certification of the Principal Financial Officer \*

\*

Filed Herewith



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PARAMOUNT GOLD AND SILVER CORP.**

Date: May 9, 2008

By: /s/ CHRISTOPHER CRUPI  
Christopher Crupi  
Chief Executive Officer

Date: May 9, 2008

/s/ LUCIE LETELLIER  
Lucie Letellier  
Chief Financial Officer