PARAMOUNT GOLD & SILVER CORP.
Form 10-Q/A
November 05, 2010

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

FORM 10-Q/A-1

(Mark One)

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

For the quarterly period ended September 30, 2010

Or

o 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
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

665 Anderson Street Winnemucca, Nevada 89445
(Address of principal executive offices) (Zip Code)

(775)625-3600
(Registrant’s telephone number, including area code)

(Former name or former address, if changed since last report)
665 Anderson Street, Winnemucca, Nevada 89445
(Address of Principal Executive Office) (Zip Code)

(775)625-3600
(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. Yes þ No ¨

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	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ
	(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 þ

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: 132,077,034 shares of Common Stock, $.001 par value as of October 31, 2010.

Explanatory Note

Paramount Gold and Silver Corp. (the “Company”) is filing this Amendment No. 1 on Form 10-Q/A to amend its Quarterly Report on Form 10-Q for the period ended September 30, 2009, as filed with the Securities and Exchange Commission on November 16, 2009 (the “Original Filing”). The Company is filing this amendment to its Original Filing to reflect the following changes:

1. Consolidated Statement of Operations: Allocated stock based compensation to type of expense incurred

2. Consolidated Statement of Operations: Recomputed Basic and Diluted Loss per Share to reflect shares issued that are held in escrow

3. Consolidated Balance Sheets, Consolidated Statement of Operations, Consolidated Statement of Cash Flows and Consolidated Statement of of Stockholder’s Equity: Adopted amended provisions of ASC 815. Warrants and Options issued with exercise prices denominated in Canadian dollars are now recorded as liabilities whereas they were previously recorded as equity.

4. Corresponding Management Discussion and Analysis has been amended to reflect the changes to the Company’s Financial Statements that have been amended by this Form 10-Q/A

These restatements are further described in our Notes to the Consolidated Financial Statements (Note 15).
Except as indicated above, no other information included in the Original Filing is amended by this Form 10-Q/A Amendment No. 1.

PARAMOUNT GOLD AND SILVER CORP.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 contains “forward-looking statements”. Generally, the words “believes”, “anticipates,” “may,” “will,” “should,” “expect,” “intend,” “estimate,” “continue, similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements which include, but are not limited to, statements concerning the Company’s expectations regarding its working capital requirements, financing requirements, business prospects, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such statements are subject to certain risks and uncertainties, including the matters set forth in this Quarterly Report or other reports or documents the Company files with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected.

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.

Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. 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.

OTHER PERTINENT INFORMATION

When used in this report, the terms "Paramount," the "Company," “we," "our," and "us" refers to Paramount Gold and Silver Corp., a Delaware corporation.

PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Financial Statements

(Unaudited)

Period ended September 30, 2009 and 2008

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Balance Sheets (Unaudited)
As at September 30, 2009 and June 30, 2009
(Expressed in United States dollars, unless otherwise stated)

	As at September 30, 2009 (Unaudited) (Restated)	As at June 30, 2009 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 1,851,389	$ 7,040,999
Amounts receivable	368,611	221,267
Notes Receivable (Note 9)	91,365	91,365
Prepaid and Deposits	169,925	82,583
Term deposit	1,045,615	1,063,772
	3,526,905	8,499,986
Long Term Assets		
Mineral properties (Note 7)	22,138,703	18,436,951
Fixed assets (Note 8)	509,274	520,858
	22,647,977	18,957,809
	$ 26,174,882	$ 27,457,795
Liabilities and Stockholders' Equity		
Liabilities		
Current Liabilities		
Accounts payable	$ 973,386	$ 383,445
Warrant Liability (Note 2)	13,162,453	–
	14,135,839	383,445
Stockholders' Equity		
Capital stock (Note 5)	83,023	83,018
Additional paid in capital	52,509,802	52,506,278
Contributed surplus	14,515,091	17,969,510
Deficit accumulated during the exploration stage	(54,792,344)	(43,197,264)
Cumulative translation adjustment	(276,529)	(287,192)
	12,039,043	27,074,350

	$ 26,174,882	$27,457,795

Commitments (Note 13) Subsequent Events (Note 14)

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)
(Expressed in United States dollars, unless otherwise stated)

	Period Ended September 30, 2009 (Restated)	Period Ended September 30, 2008	Cumulative Since Inception March 29, 2005 to September 30, 2009 (Restated)
Revenue			
Interest Income	$ 54,514	$ 97,277	$ 1,036,623
Expenses:			
Incorporation Costs	-	-	1,773
Exploration	859,211	1,449,884	14,875,619
Professional Fees	239,932	234,976	5,533,581
Travel & Lodging	22,124	72,953	878,730
Geologist Fees & Expenses	219,288	399,995	3,956,353
Corporate Communications	39,626	255,286	2,824,584
Consulting Fees	234,182	328,171	13,620,565
Office & Administration	60,181	293,474	1,721,419
Interest & Service Charges	6,438	2,539	45,636
Loss on disposal of Fixed Assets	-	44,669	44,669
Insurance	14,144	28,193	242,212
Depreciation	14,651	27,348	244,563
Office	20,757	22,915	286,201
Miscellaneous	5,014	(1,748)	189,991
Financing	-	-	(22,024)
Acquisition expenses	364,458	-	364,458
Write Down of Mineral Property	-	-	1,471,049
Total Expense	2,100,006	3,158,655	46,279,379
Net Loss before other item	2,045,492	3,061,378	45,242,756
Other item			
Change in fair value of warrant liability	(3,088,287)	-	9,549,588
Net Loss (Gain)	(1,042,795)	3,061,378	54,792,344
Other comprehensive loss			
Foreign Currency Translation Adjustment	(10,663)	32,294	276,529
Total Comprehensive Loss for the Period	$ (1,053,458)	$ 3,093,672	$ 55,068,873
Loss (Gain) per Common Share	$ (0.01)	$ 0.06	
Basic			
Diluted	$ (0.01)	$ 0.06	
Weighted Average Number of Common Shares Used in Per Share Calculations			

Basic	78,023,648	52,627,417
Diluted	83,023,648	52,627,417

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)
(Expressed in United States dollars, unless otherwise stated)

	For the Period Ended September 30, 2009 (Restated)	For the Period Period Ended September 30, 2008	Cumulative Since Inception to September 30, 2009 (Restated)
Operating Activities:			
Net Gain (Loss)	$ 1,042,795	$ (3,061,378)	$ (54,792,344)
Adjustment for:			
Depreciation	14,651	27,348	244,563
Allowance for doubtful accounts	-	-	172,170
Loss on disposal of assets	-	44,669	44,669
Stock based compensation	161,975	346,566	16,309,659
Accrued interest	-	(32,982)	(58,875)
Change in fair value of warrant liability	(3,088,287)		9,549,588
(Increase) Decrease in accounts receivable	(147,344)	4,170	(515,953)
(Increase) Decrease in prepaid expenses	(87,342)	114,338	11,497
Increase (Decrease) in accounts payable	589,941	108,664	741,365
Write-down of mineral property	-	-	1,471,049
Cash used in Operating Activities	(1,513,611)	(2,665,933)	(26,822,613)
Investing Activities:			
Purchase of GIC receivable	-	36,778	(1,004,897)
Note receivable	-	(500,000)	(3,344,557)
Purchase of Mineral Properties	(3,701,751)	(12,000)	(4,527,668)
Purchase of Equipment	(3,067)	(340,173)	(73,067)
Cash used in Investing Activities	(3,704,818)	(815,395)	(8,950,189)
Financing Activities:			
Increase (decrease) in demand notes payable	-	-	105,580
Issuance of capital stock	-	1,486,950	37,796,160
Cash from Financing Activities:	-	1,486,950	37,901,740
Effect of exchange rate changes on cash	28,819	6,027	(277,549)
Increase (Decrease) in Cash	(5,189,610)	(1,988,351)	1,851,389
Cash, beginning	7,040,999	3,199,848	-

Cash, ending	$ 1,851,389	$ 1,211,497	$ 1,851,389
Supplemental Cash Flow Disclosure:			
Interest Received	$ -	$ -	7,642
Taxes Paid	-	-	-
Cash	-	-	1,859,339

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 September 30, 2009
(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
Balance at Inception	-	$-	$-	$-	$-	$-	$-
Balance September 30, 2005	11,267,726	11,268	1,755	(1,773)	-		11,250
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)
Balance June 30, 2006	30,966,611	30,966	4,820,690	(1,876,235)	444,002	-	3,419,423
Capital issued for financing	11,988,676	11,990	15,225,207	-	-	-	15,237,197
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)	-	-	(15,669,889)
Balance at June 30, 2007	46,502,478	46,502	28,742,381	(17,546,124)	10,159,322	8,412	21,410,493

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 September 30, 2009
(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
Balance at June 30, 2007	46,502,478	46,502	28,742,381	(17,546,124)	10,159,322	8,412	21,410,493
Capital issued for financing	1,000,000	1,000	1,778,590	-	-	-	1,779,590
Capital issued for services	770,000	770	1,593,582	-	-	-	1,594,352
Capital issued for mineral properties	268,519	269	489,731	-	-	-	490,000
Fair Value of warrants	-	-	-	-	470,410		470,410
Stock based compensation	-	-	-	-	2,911,213	-	2,911,213
Foreign currency translation	-	-	-	-	-	(28,389)	(28,389)
Net Income (loss)	-	-	-	(18,409,961)	-	-	(18,409,961)
Balance at June 30, 2008	48,540,997	48,541	32,604,284	(35,956,085)	13,540,945	(19,977)	10,217,708
Capital issued for financing	16,707,791	16,707	5,828,684	-	-	-	5,845,391
Capital issued for services	1,184,804	1,185	683,437	-	-	-	684,622
Capital issued from stock options exercised	384,627	385	249,623	-	(237,008)	-	13,000
Capital issued for mineral properties	16,200,000	16,200	13,140,250	-	-	-	13,156,450
Fair Value of warrants	-	-	-	-	3,612,864	-	3,612,864
Stock based compensation	-	-	-	-	1,052,709	-	1,052,709
Foreign currency translation	-	-	-	-	-	(267,215)	(267,215)
	-	-	-	(7,241,179)	-	-	(7,241,179)

Net Income (loss)							
Balance at June 30, 2009	83,018,219	83,018	52,506,278	(43,197,264)	17,969,510	(287,192)	27,074,350

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 September 30, 2009
(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings (Deficiency) (Restated)	Contributed Surplus (Restated)	Cumulative Translation Adjustment	Total Stockholders' Equity (Restated)
Balance at June 30, 2009	83,018,219	83,018	52,506,278	(43,197,264)	17,969,510	(287,192)	27,074,350
Capital issued from stock options exercised	5,429	5	3,524	-	(3,529)	-	-
Stock based compensation	-	-	-	-	161,975	-	161,975
Transition Adjustment (Note 2)	-	-	-	(12,637,875)	(3,612,865)		(16,250,740)
Foreign currency translation	-	-	-	-	-	10,663	10,663
Net Income (loss)	-	-	-	1,042,795	-	-	1,042,795
Balance at September 30, 2009	83,023,648	83,023	52,509,802	(54,792,344)	14,515,091	(276,529)	12,039,043

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

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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 September 30, 2009
(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., Magnetic Resources Ltd, and Compania Minera Paramount SAC. On August 23, 2007 the board of directors and stockholders' approved the name change 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 September 30, 2009, 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 September 30, 2009 and the consolidated results of operations and consolidated statements of cash flows for the period ended September 30, 2009.

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:

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Notes to Consolidated financial statements (Continued)
(Unaudited)
For the Period Ended September 30, 2009
(Expressed in United States dollars, unless otherwise stated)

2.Principal Accounting Policies: (Continued)

Cash and Cash Equivalents

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

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.

Term Deposit

The GIC is non-redeemable until May 7, 2010 and bears an interest rate of 3.25% and has been pledged as collateral to support a letter of credit issued by a secured lender.

Notes Receivable

Notes receivable are classified as available-for-sale or held-to-maturity, depending on our intent with respect to holding such investments. If it is readily determinable, notes receivable classified as available-for-sale is accounted for at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported net of tax as a component of other comprehensive income within stockholders' equity. Interest income is recognized when earned.

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 of September 30, 2009, the Company’s only component of comprehensive income is foreign currency translation adjustments.

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Notes to Consolidated financial statements (Continued)
(Unaudited)
For the Period Ended September 30, 2009
(Expressed in United States dollars, unless otherwise stated)

2. Principal Accounting Policies: (Continued)

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, development 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 lie of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

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 period 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 periods; and accordingly is offset by a valuation allowance. FIN No.48 prescribes a recognition threshold and measurement attribute for financial statement recognition ad measurement of tax positions taken into in tax returns.

To the extent interest and penalties may be assessed by taxing authorities on any underpayment of income tax, such amounts would be accrued and classified as a component of income tax expense in our Consolidated Statements of Operations. The Company elected this accounting policy, which is a continuation of our historical policy, in connection with our adoption of FIN 48.

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Notes to Consolidated financial statements (Continued)
(Unaudited)
For the Period Ended September 30, 2009
(Expressed in United States dollars, unless otherwise stated)

2. Principal Accounting Policies: (Continued)

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, the Canadian Dollar, 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 period 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.

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.

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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 September 30, 2009
(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies: (Continued)

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 stockholders (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.

Fair Value Option for Financial Assets

On July 1, 2008, the Company adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (fair value option) with changes in fair value reported in earnings. The adoption of SFAS 159 had no impact on the financial statements as management did not elect the fair value option for any other financial instruments or other assets and liabilities.

Accounting Standards Adopted

In March 2008, the FASB issued ASC 815, "Disclosures about Derivative Instruments and Hedging Activities" ("ASC 815"). ASC 815 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement is effective for financial statements issued for fiscal periods beginning after November 15, 2008.

Effective July 1, 2009, we adopted the amended provisions of ASC 815 on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in ASC 815. Warrants and options issued in prior periods with exercise prices denominated in Canadian dollars are no longer considered indexed to our stock, as their exercise price is not in the Company's functional currency of the US dollar, and therefore no longer qualify for the scope exception and must be accounted for as a derivative. These warrants and options are reclassified as liabilities under the caption "Warrant liability" and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Changes in the liability from period to period are recorded in the Statements of Operations under the caption "Change in fair value of warrant liability." On July 1, 2009, we recorded a cumulative effect adjustment based on the grant date fair value of warrants issued during the year ended June 30, 2009 that were outstanding at July 1, 2009 and the change in fair value of the warrant liability from the issuance date through to July 1, 2009.

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2. Principal Accounting Policies: (Continued)

We have elected to record the change in fair value of the warrant liability as a component of other income and expense on the statement of operations as we believe the amounts recorded relate to financing activities and not as a result of our operations.

We recorded the following cumulative effect of change in accounting principal pursuant to its adoption of the amendment as of July 1, 2009:

	Contributed surplus	Warrant liability	Accumulated deficit
Grant date fair value of previously issued warrants outstanding as of July 1, 2009	3,612,865	(3,612,865)	—
Change in fair value of previously issued warrants outstanding as of July 1, 2009	—	(12,637,875)	12,637,875
Cumulative effect of change in accounting principal	3,612,865	(16,250,740)	12,637,875

In addition, we have recorded a gain related to the change in fair value of the warrant liability of $3,088,287 on the Consolidated Statements of Operations for the period ended September 30, 2009.

Fair Value Measurements

On July 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (“SFAS 157”) as it relates to financial assets and financial liabilities. In February 2008, the FASB staff issued Staff Position No. 157-2, Effective Date of FASB Statement No. 157 (“FSP FAS 157-2”). FSP FAS 157-2 delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP FAS 157-2 are effective for the Company’s fiscal year beginning July 1, 2009.

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS 13. SFAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under SFAS 157 are described below:

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2. Principal Accounting Policies: (Continued)

Fair Value Measurements (continued)

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at September 30, 2009				June 30, 2009
	Total	Level 1	Level 2	Level 3	Total
Assets	$	$	$	$	$
Cash equivalents	1,851,389	1,851,389	–	–	7,040,999
Accounts receivable	368,611	368,611	–	–	221,267
Notes receivable	91,365		91,265		91,365
GIC	1,045,615	1,045,775	–	–	1,063,772
Liabilities					
Warrant liability	13,162,453	–	–	13,162,453	–

The Company's cash equivalents and GIC are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash equivalents that are valued based on quoted market prices in active markets are primarily comprised of commercial paper, short-term certificates of deposit and U.S. Treasury securities. The accounts receivable represent amounts due from a national government regarding refund of taxes. The notes receivable is classified within Level 2 of the fair value hierarchy.

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2. Principal Accounting Policies: (Continued)

Fair Value Measurements (continued)

The estimated fair value of warrants and options accounted for as liabilities was determined on the date of closing and marked to market at each financial reporting period. The change in fair value of the warrants and options is recorded in the statement of operations as a gain (loss) and is estimated using the Black-Scholes option-pricing model with the following inputs:

	September 30, 2009
Risk free interest rate	0.80%
Expected life of warrants and options	1-2 years
Expected stock price volatility	78% to 107%
Expected dividend yield	0%

The changes in fair value of the warrants during the period ended September 30, 2009 were as follows:

Balance at July 1, 2009	16,250,740
Issuance of warrants and options	-
Change in fair value recorded in earnings	(3,088,287)
Transferred to equity upon exercise	-
Balance at September 30, 2009	13,162,453

3. Recent Accounting Pronouncements:

(i) Business Combinations

In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development, and restructuring costs. In addition, under SFAS 141R, changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS 141R is effective for fiscal periods beginning after December 15, 2008. We have adopted SFAS 141R on July 1, 2009. This standard will change our accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued SFAS No. 160, “No controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51” (“SFAS 160”), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the no controlling interest, changes in a parent’s ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal periods beginning after December 15, 2008. We have adopted SFAS 160 on July 1, 2009. Adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

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3. Recent Accounting Pronouncements: (Continued)

(ii) SFAS 161

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS 133, Accounting for Derivative Instruments and Hedging Activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement is effective for financial statements issued for fiscal periods beginning after November 15, 2008. The Company has adopted SFAS 161 on July 1, 2009. Adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

(iii) SFAS 162

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS 162). This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." This statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The Company has evaluated the new statement and has determined that it will not have a significant impact on the determination or reporting of the Company's financial results.

(iv) SFAS 163

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts - an interpretation of FASB Statement No. 60." SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. Those clarifications will increase comparability in financial reporting of financial guarantee insurance contracts by insurance enterprises. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. SFAS 163 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. We adopted SFAS 160 on July 1, 2009. Adoption of this standard did not have a material impact on its financial condition or results of operation.

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3. Recent Accounting Pronouncements: (Continued)

(v) SFAS 165

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 is effective with interim and annual financial periods ending after June 15, 2009. We have adopted SFAS 160 on July 1, 2009. Adoption of this standard did not have an impact on the Company's results of operations, financial position or cash flows.

(vi) SFAS166

In June 2009, the FASB issued SFAS No. 166, “Accounting for Transfers of Financial Assets—an amendment of FASB Statement” (“SFAS 166”). SFAS No. 166 is intended to establish standards of financial reporting for the transfer of assets and transferred assets to improve the relevance, representational faithfulness, and comparability. SFAS 166 was established to clarify derecognition of assets under FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 166 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. We will adopt SFAS 166 on July 1, 2010. The Company has determined that the adoption of SFAS No. 166 will have no impact will have on its consolidated financial statements.

(vii) SFAS 167

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS No. 167”). SFAS No. 167 eliminates the exception to consolidate a qualifying special-purpose entity, changes the approach to determining the primary beneficiary of a variable interest entity and requires companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS No. 167 becomes effective for the Company’s fiscal 2011 year-end and interim reporting periods thereafter. The Company does not expect SFAS No. 167 to have a material impact on its financial statements.

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3. Recent Accounting Pronouncements: (Continued)

(viii) SFAS 168

In July 2009, the FASB issued SFAS No. 168, "FASB Accounting Standards Codification" ("SFAS 168"), as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in SFAS 168. All other accounting literature not included in the Codification is non-authoritative. Management is currently evaluating the impact of the adoption of SFAS 168 but does not expect the adoption of SFAS 168 to impact the Company's results of operations, financial position or cash flows.

(ix) APB 141

In May 2008, the FASB issued FSP No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)” (“FSP 14-1”). FSP 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FASB Statement No. 133. Convertible debt instruments within the scope of FSP 14-1 are not addressed by the existing APB 14. FSP 14-1 would require that the liability and equity components of convertible debt instruments within the scope of FSP 14-1 be separately accounted for in a manner that reflects the entity’s nonconvertible debt borrowing rate. This will require an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component would be reported as a debt discount and subsequently amortized to earnings over the instrument’s expected life using the effective interest method. FSP APB 14-1 is effective for the Company’s fiscal year beginning July 1, 2009 and will be applied retrospectively to all periods presented. Adoption of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

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4. Non-Cash Transactions:

During the three month period ended September 30, 2009 and 2008, the Company entered into certain non-cash activities as follows:

	2009	2008
Operating and Financing Activities		
From issuance of shares for consulting and geological services	$ -	$ 210,988
From issuance of shares for mineral property	$ -	$ 8,828,450

5. Capital Stock:

Authorized capital stock consists of 200,000,000 common shares with par value of $0.001 each. During the three month period ending September 30, 2009, the Company issued a total of 5,429 common shares which are summarized as follows:

	2009 Common Shares	2008
Financing	-	1,071,429
Acquisition of mineral properties	-	7,350,000
For services	5,429	551,206
	5,429	8,972,635

During the three month period ended, the Company issued 5,429 common shares pursuant to exercise of stock options. The exercise price of these options was $0.65 per share. Of the shares issued, 5,429 shares were issued from the cashless exercise of 10,000 options.

The following share purchase warrants and agent compensation warrants were outstanding at September 30, 2009:

	Exercise price	Number of warrants	Remaining contractual life (years)
Warrants	3.25	1,000,000	0.08
Warrants	.90	12,000,000	3.41
Agent compensation Warrants	.90	840,000	3.41
Warrants	.85	3,636,362	1.25
Warrants	2.15	35,715	0.85
Outstanding and exercisable at September 30, 2009		17,512,077	

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5. Capital Stock (continued):

	September 30, 2009	September 30, 2008
Risk free interest rate	N/A	0.98-1.78%
Expected life of warrants	N/A	0.5 - 1 years
Expected stock price volatility	N/A	58%
Expected dividend yield	N/A	0%

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6. Related Party Transactions:

During the period ended September 30, 2009, directors received payments on account of professional fees in the amount of $87,157 (2008: $96,049).

During the period ended September 30, 2009, the Company did not issue any common shares to directors (2008- 21,432 common shares) for services rendered, (2008 - $0.64 to $1.27) per share for total consideration of $0 (2008 - $23,160).

During the period ended September 30, 2009 the Company made payments of $19,765 pursuant to a premises lease agreement with a corporation having a stockholder in common with a director of the company.

All transactions with related parties are made in the normal course of operations measured at exchange value.

7. Mineral Properties:

The Company has capitalized acquisition costs on mineral properties as follows:

	September 30, 2009	June 30, 2009
Vidette Lake – Canada	$ 275,000	$ 275,000
Temoris	4,074,754	4,074,754
Iris Royalty	50,000	50,000
Morelos	100,000	100,000
San Miguel Project	17,608,324	13,906,572
Andrea	20,625	20,625
Peru	10,000	10,000
	$ 22,138,703	$ 18,436,951

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7. Mineral Properties (Continued):

a. San Miguel Project

The Company has an option to acquire a 100% in the La Blanca property located in Guazaparez, 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 proven or probable gold reserves. No gold reserves have been discovered as at September 30, 2009. The Company has incurred $500,000 in exploration expenses.

The Company has a 100% interest in the Santa Cruz mining concession located in the San Miguel Project, subject to satisfactory title transfer. 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. This concession was acquired as part of the San Miguel asset project purchased from Tara Gold.

b. Temoris

On March 19, 2009 the company closed an agreement with Garibaldi Resources Corp. in which the company acquired the outstanding option on the Temoris project. The option covers an area of approximately 54,000 hectares adjacent to the San Miguel groupings and Andrea project. In consideration for the acquisition, the company paid Garibaldi $400,000 and issued six million shares of the company's common stock (with legend). The shares of Common stock were delivered to an escrow agent who will release 500,000 shares of common stock six months from the date of closing and an additional 500,000 shares of common stock every three months thereafter.

On February 12, 2009, the company acquired all of the issued and outstanding shares of common stock of Magnetic Resources Ltd. ("Magnetic"). Magnetic is the sole beneficial stockholder of Minera Gama, S.A. de C.V. which holds interest in various mineral concessions in Mexico known as the Temoris Project and the Morelos Project and also holds a royalty of the Iris Project.
In consideration for the acquisition of all of the issued and outstanding common shares (which was 8.4 million) of Magnetic and the assumption and discharge of the stockholder loans, the company issued to the stockholders of Magnetic 1,350,000 shares of the company's common stock valued at $675,000 and an advisor was paid a finder's fee of 200,000 common shares of the company valued at $100,000. All shares were issued pursuant to the Company's Shelf Registration Statement.

These financial statements reflect income earned and expenses incurred of Magnetic Resources Ltd. as of February 12, 2009. The following is the purchase price allocation at date of acquisition:

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7. Mineral Properties (continued):

c. Andrea

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

d. Vidette Lake, Canada

Paramount entered into an option agreement to acquire an interest in the Vidette Lake Gold Mine in British Columbia, Canada. Paramount issued 500,000 common shares to earn an initial 25% interest and can earn a further 25% interest by expending $300,000 of exploration expenditures, making a cash payment of $100,000 and by issuing an additional 100,000 common shares. Once Paramount has increased its interest to 50% it may increase its interest to 90% any time prior to December 31, 2010 by expending an additional sum of $600,000 on exploration and issuing 400,000 common shares. Once Paramount has increased its interest to 90% and exercises its option, a joint venture agreement will be created.

8. Fixed Assets:

			Net Book Value	
	Cost	Accumulated Amortization	September 30, 2009	June 30, 2009
Property and Equipment	$ 704,453	$ 195,179	$ 509,274	$ 520,858

During the period ended September 30, 2009, total additions to property, plant and equipment were $3,068 (2008-$340,173). During the period ended September 30, 2009 the Company recorded depreciation of $14,652.

9. Notes Receivable:

The Company holds convertible notes receivable with face value of $70,000 plus accrued interest issued by Mexoro Minerals Ltd. pursuant to a Letter of Intent dated May 2, 2008 between Mexoro Minerals Ltd. ("Mexoro") and Paramount Gold and Silver Corp. ("Paramount") with respect to the proposed Strategic Alliance between Mexoro and Paramount. The interest rate of the convertible notes is 8% but by mutual agreement, no interest was accrued for three months ending September 30, 2009.

	Maturity Date	Interest Rate	September 30, 2009	June 30, 2009
Note Receivable – Mexoro Minerals	September 18, 2009	8% per annum	$ 70,000	$70,000
Note Receivable – Mexoro Minerals			-	-

	May 7, 2009	8% per annum		
	July 10, 2009	8% per annum	-	-
Accrued Interest	-	-	21,365	21,365
			$ 91,365	$91,365

The notes are convertible to units of one common share and one half common share purchase warrant of Mexoro Minerals Ltd. at a price of $0.50 per unit. The Company entered into a forbearance agreement with Mexoro pursuant to which Mexoro repaid $1,000,000 of the principal balance during the period ended March 31, 2009, and $300,000 of the principal balance during the period ended June 30, 2009, and agreed to increase the remaining principal by $127,500 plus anticipated legal fees of $15,000. The $127,500 plus legal fees are to be repaid on or before April 30, 2009. In consideration of the Company's forbearance, Mexoro also agreed to issue to the Company 225,000 common shares of Mexoro.

On May 19, 2009 the Company entered into a letter of agreement with Mexoro Minerals Ltd. to acquire all its legal and beneficial interest to 12 mining concessions adjacent to Paramount's San Miguel Project resource areas in Chihuahua, Mexico . The purchase price is $3.7 million and all underlying property payments are to be deferred for 36 months and further, if Paramount or its assets are sold within this period an additional payment will be made to the vendors. Any amounts owing to Paramount by Mexoro on closing will be paid out of the closing proceeds. During the period ending September 30, 2009, the purchase price was deposited into an escrow account pending satisfaction of all due diligence issues.

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10. 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 period by geographical segment for the period ended September 30, 2009:

	United States	Peru	Mexico	Total
Interest income	$ 54,449	$ -	$ 65	$ 54,514
Expenses:				
Exploration	(316,571)	(8,037)	1,183,819	859,211
Professional fees	239,932	-	-	239,932
Travel and lodging	22,124	-	-	22,124
Geologist fees and expenses	190,171	-	29,117	219,288
Corporate communications	39,626	-	-	39,626
Consulting fees	234,182	-	-	234,182
Office and administration	38,221	-	21,960	60,181
Interest and service charges	5,163	-	1,275	6,438
Loss on Disposal of Assets	-	-	-	-
Insurance	14,144	-	-	14,144-
Amortization	5,664	-	8,987	14,651
Office	20,757	-	-	20,757
Acquisition Expenses	364,458	-	-	365,458
Miscellaneous	5,013	-	1	5,014
Total Expenses	862,884	(8,037)	1,245,159	2,100,006
Change in fair value of warrant liability	(3,088,287)	-	-	(3,088,287)
Net income	$ 2,279,851	$ 8,037	$ (1,245,094)	$ (1,042,795)

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10. Segmented Information (Continued):

Loss for the period by geographical segment for the period ended September 30, 2008:

	United States	Peru	Mexico	Total
Interest income	$ 62,969	$ 25,785	$ 8,523	$ 97,277
Expenses:				
Exploration (note 15)	562,568	49,269	838,047	1,449,884
Professional fees	234,976	-	-	234,976
Travel and lodging	72,953	-	-	72,953
Geologist fees and expenses	194,719	-	205,276	399,995
Corporate communications	68,230	-		