

PARAMOUNT GOLD & SILVER CORP.  
Form 10-Q  
May 09, 2011

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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, 2011  
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  
(State or Other Jurisdiction of (Commission File Number) (I.R.S. Employer  
Incorporation) Identification No.)

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  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(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: 136,195,117 shares of Common Stock, \$.001 par value as of April 29, 2011.

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 March 31, 2011 contains “forward-looking statements”. Generally, the words “believes”, “anticipates,” “may,” “will,” “should,” “expect,” “intend,” “estimate,” “continue,” and 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.

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PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Financial Statements

(Unaudited)

Period ended March 31, 2011 and 2010

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Balance Sheets

As at March 31, 2011(Unaudited) and June 30, 2010 (Audited)

(Expressed in United States dollars, unless otherwise stated)

	As at March 31, 2011 (Unaudited)	As at June 30, 2010 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,264,965	\$ 21,380,505
Amounts receivable	1,881,297	1,511,619
Equity conversion right (Note 12)	501,078	516,545
Loan advance	-	243,495
Prepaid and deposits	130,690	45,368
Prepaid insurance, current portion (Note 11)	245,215	-
Marketable securities	1,800	-
Total Current Assets	19,025,045	23,697,532
Non-Current Assets		
Mineral properties (Note 7)	48,666,487	22,111,203
Fixed assets (Note 8)	493,244	519,446
Prepaid insurance, non current portion (Note 11)	674,340	
Reclamation bond (Note 11)	2,801,797	
Total Non-Current Assets	52,635,868	22,630,649
Total Assets	\$ 71,660,913	\$ 46,328,181
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable	\$ 419,376	\$ 430,323
Warrant Liability (Note 2)	21,726,833	5,979,767
Total Current Liabilities	22,146,209	6,410,090
Non-Current Liabilities		
Reclamation and Environmental Obligation	1,146,574	-
Total Non-Current Liabilities	1,146,574	-
Shareholder's Equity		
Capital stock (Note 5)	136,182	110,069
Additional paid in capital	129,529,437	90,613,573
Contributed surplus	11,240,782	10,825,222
Deficit accumulated during the exploration stage	(92,587,140 )	(61,187,098)
Cumulative translation adjustment	48,869	(443,675 )
Total Shareholder's Equity	48,368,130	39,918,091

Total Liabilities and Shareholder's Equity	\$71,660,913	\$46,328,181
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Subsequent Events (Note 14)

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)

Consolidated Statements of Operations (Unaudited)

(Expressed in United States dollars, unless otherwise stated)

	Three Month Period Ended March 31, 2011	Nine Month Period Ended March 31, 2011	Three Month Period Ended March 31, 2010	Nine Month Period Ended March 31, 2010	Cumulative Since Inception March 29, 2005 to March 31, 2011
<b>Revenue</b>					
Interest Income	\$ 39,474	\$ 85,826	\$ 14,446	\$ 80,755	\$ 1,103,789
Other Income	\$ 2,603	\$ 180,833	\$ -	\$ -	\$ 180,833
Total Revenue	42,077	266,659	14,446	80,755	1,284,622
<b>Expenses:</b>					
Incorporation Costs	-	-	-	-	1,773
Exploration	2,531,665	6,244,524	1,338,425	3,982,744	30,041,788
Professional Fees	283,796	919,805	284,518	691,893	7,144,913
Directors Compensation	551,895	744,677	58,258	94,468	885,846
Travel & Lodging	46,214	164,369	70,962	158,072	1,213,617
Corporate Communications	137,346	218,770	158,545	322,219	3,335,868
Consulting Fees	119,690	365,315	66,088	348,127	14,170,136
Office & Administration	59,376	282,207	112,959	265,723	2,638,039
Interest & Service Charges	3,467	9,483	4,293	54,640	106,324
Loss on disposal of Fixed Assets	-	-	-	-	44,669
Insurance	95,334	233,922	11,085	36,596	509,794
Depreciation	16,738	54,915	15,700	46,965	351,194
Accretion	35,210	84,674	-	-	84,674
Miscellaneous	-	-	32,387	7,281	203,097
Financing & Listing Fees	-	-	-	-	(22,024 )
Acquisition Expenses	45	1,081,075	-	1,060,180	2,323,646
Income and other taxes	13,015	13,015	43,101	43,101	64,747
Write Down of Mineral Property	-	-	-	275,000	1,746,049
Total Expense	3,893,791	10,416,751	2,196,321	7,387,009	64,844,150
Net Loss before other item	3,851,714	10,150,092	2,181,875	7,306,254	63,559,528
<b>Other items</b>					
Change in fair value of Equity					
Conversion Right	(164,488 )	15,467	419,525	419,525	836,622
Change in fair value of warrant liability	(1,085,671 )	21,233,585	(1,628,829 )	(4,546,442 )	28,190,090
Other Income & Expenses	900	900	-	-	900
Net Loss	\$ 2,602,455	\$ 31,400,044	\$ 972,571	\$ 3,179,337	\$ 92,587,140
<b>Other comprehensive loss</b>					



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Foreign Currency Translation Adjustment	(220,765 )	(492,544 )	165,884	107,618	(48,869 )
Total Comprehensive Loss for the Period	\$ 2,381,690	\$ 30,907,500	\$ 1,138,455	\$ 3,286,955	\$92,538,271
Loss per Common share Basic and Diluted	\$ 0.02	\$ 0.24	\$ 0.01	\$ 0.03	
Weighted Average Number of Common Shares Used in Per Share Calculations					
Basic	135,096,531	128,841,845	101,742,087	91,771,247	
Diluted	135,096,531	128,841,845	105,742,087	95,771,247	

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)

Consolidated Statements of Cash Flows (Unaudited)

(Expressed in United States dollars, unless otherwise stated)

	For the Nine Month Period Ended March 31, 2011	For the Nine Month Period Ended March 31, 2010	Cummulative Since Inception to March 31, 2011
<b>Operating Activities</b>			
Net Loss	\$(31,400,044)	(3,179,337)	(92,587,142)
Adjustment for:			
Depreciation	54,915	46,965	351,194
Loss on disposal of assets	-	-	44,669
Stock based compensation	1,154,415	256,407	17,611,939
Accrued interest	-	-	(58,875)
Write-down of mineral properties	-	275,000	1,746,049
Accretion expense	84,674	-	84,674
Change in reclamation	(19,532)	-	(19,532)
Insurance expense	96,648	-	96,648
Other non-cash transactions	900		836,622
Change in fair value of equity conversion right	15,467	419,525	836,622
Change in fair value of warrant liability	21,233,585	(4,546,442)	28,190,090
(Increase) Decrease in accounts receivable	(369,678)	(1,143,648)	(1,881,297)
(Increase) Decrease in prepaid expenses	(85,322)	43,172	(130,690)
Increase (Decrease) in accounts payable	(10,947)	(187,107)	419,377
<b>Cash used in Operating Activities</b>	<b>(9,244,919)</b>	<b>(8,015,465)</b>	<b>(44,459,652)</b>
Purchase of GIC receivable	-	9,961	58,875
Notes receivable issued	243,495	91,365	21,365
Purchase of Equity conversion right	-	(1,337,700)	(1,337,700)
Purchase of Mineral Properties	(150,000)	(3,574,252)	(7,068,809)
Purchase of Equipment	(28,712)	(28,296)	(919,585)
<b>Cash used in Investing Activities</b>	<b>64,783</b>	<b>(4,838,922)</b>	<b>(9,245,854)</b>
Demand notes payable issued	-	-	105,580
Issuance of capital Stock	3,572,052	26,239,904	70,696,692
<b>Cash used in Financing Activities</b>	<b>3,572,052</b>	<b>26,239,904</b>	<b>70,802,272</b>
Effect of echange rate changes on Cash	492,544	(107,618)	3,921

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Change in cash during period	(5,115,540 )	13,277,899	16,264,965
Cash at beginning of period	21,380,505	7,040,999	-
Cash at end of period	\$ 16,264,965	\$ 20,318,898	\$ 16,264,965
Supplemental Cash Flow Disclosure			
Interest Received	\$ 85,826	\$ 80,755	
Cash	4,454,979	7,310,932	
Short-term investments	11,809,986	13,007,966	

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)  
 Consolidated Statements of Stockholders' Equity (Unaudited)  
 For the Nine Month Period Ended March 31, 2011  
 (Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Deficit	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders Equity
Balance at September 30, 2005	11,267,726	\$ 11,268	\$ 1,755	\$(1,773 )	\$—	\$—	\$ 11,250
Forward split	45,267,726	45,267	(45,267 )	—	—	—	—
Returned to treasury	(61,660,000)	(61,660 )	61,660	—	—	—	—
Capital issued for financing	48,289,835	48,291	20,320,683	—	—	—	20,368,974
Capital issued for services	4,157,500	4,157	9,477,295	—	—	—	9,481,452
Capital issued for mineral properties	1,178,519	1,179	2,682,617	—	—	—	2,683,796
Capital issued on settlement of notes payable	39,691	39	105,541	—	—	—	105,580
Fair Value of warrants	—	—	—	—	8,460,682	—	8,460,682
Stock based compensation	—	—	—	—	5,080,263	—	5,080,263
Foreign currency translation	—	—	—	—	—	(19,977 )	(19,977 )
Net Income (Loss)	—	—	—	(35,954,312)	—	—	(35,954,312)
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	16,200,000	16,200	13,140,250	—	—	—	13,156,450

properties							
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 )
Net Income (Loss)	—	—	—	(7,241,179 )	—	—	(7,241,179 )
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

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Stockholders' Equity (Unaudited)

For the Nine Month Period Ended March 31, 2011

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Deficit	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders Equity
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 for financing	18,400,000	18,400	21,371,043	—	—	—	21,389,443
Capital issued from stock options and warrants exercised	835,136,060	8,351	16,361,552	—	(3,841,264)	—	12,528,639
Capital issued for mineral properties	300,000	300	374,700	—	—	—	375,000
Fair Value of warrants	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	309,840	—	309,840
Transition Adjustment (Note 2)	—	—	—	(12,637,875)	(3,612,864)	—	(16,250,739)
Foreign currency translation	—	—	—	—	—	(156,483)	(156,483)
Net Income (loss)	—	—	—	(5,351,958)	—	—	(5,351,908)
Balance at June 30, 2010	110,069,579	110,069	90,613,573	(61,187,098)	10,825,222	(443,675)	39,918,091
Capital issued for financing	—	—	—	—	—	—	—
Capital issued from stock options and warrants exercised	170,690	171	146,623	—	(146,794)	—	—
Capital issued for acquisition	22,007,453	22,007	28,807,756	—	314,790	—	29,144,553
Stock based compensation	—	—	—	—	33,611	—	33,611
	—	—	—	—	—	435,107	435,107

Foreign currency translation							
Net Income (loss)	—	—	—	(3,861,229 )	—	—	(3,861,229 )
Balance at September 30, 2010	132,247,722	132,247	119,567,952	(65,048,327)	11,026,829	(8,568 )	65,670,133
Capital issued for financing	—	—	—	—	—	—	—
Capital issued from stock options and warrants exercised	1,371,250	1,371	4,539,579	—	(37,372 )	—	4,503,578
Capital issued for acquisition	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	272,700	—	272,700
Foreign currency translation	—	—	—	—	—	(163,328 )	(163,328 )
Net Income (loss)	—	—	—	(24,936,358)	—	—	(24,936,358)
Balance at December 31, 2010	133,618,972	133,618	124,107,531	(89,984,685)	11,262,157	(171,896 )	45,346,725

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)

Consolidated Statements of Stockholders' Equity (Unaudited)

For the Nine Month Period Ended March 31, 2011

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Deficit	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders Equity
Balance at December 31, 2010	133,618,972	133,618	124,107,531	(89,984,685)	11,262,157	(171,896 )	45,346,725
Capital issued for financing	—	—	—	—	—	—	—
Capital issued from stock options and warrants exercised	2,563,642	2,564	5,421,906	—	(869,479 )	—	4,554,991
Capital issued for acquisition	—	—	—	—	—	—	—
Stock based compensation	—	—	—	—	848,104	—	848,104
Foreign currency translation	—	—	—	—	—	220,765	220,765
Net Income (loss)	—	—	—	(2,602,455 )	—	—	(2,602,455 )
Balance at March 31, 2011	136,182,614	136,182	129,529,437	(92,587,140)	11,240,782	48,869	48,368,130

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 (Unaudited)

For the Nine Month Period Ended March 31, 2011

(Expressed in United States dollars, unless otherwise stated)

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1.Organization and Business Activity:

Paramount Gold and Silver Corp. ('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 Company's wholly owned subsidiaries include Paramount Gold de Mexico S.A. de C.V., Magnetic Resources Ltd, Minera Gama SA de CV, Compania Minera Paramount SAC and X-Cal Resources Ltd. The Company is an exploration stage company in the process of exploring its mineral properties, and has not yet determined whether these properties contain reserves that are economically recoverable.

2.Principal Accounting Policies:

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures required by generally accepted accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all of the normal and recurring adjustments necessary to fairly present the interim financial information set forth herein have been included. The results of operations for interim periods are not necessarily indicative of the operating results of a full year or of future years.

These interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States and, with the exception of new accounting pronouncements described in Note 2, follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the financial statements and related footnotes included in the Annual Report on Form 10-K of Paramount Gold and Silver Corp. for the year ended June 30, 2010.

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.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash and cash equivalents.

Fair Value Measurements

The Company has adopted FASB ASC 820, Fair Value Measurements and Disclosures, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. The company applies fair value accounting for all financial assets and liabilities and non – financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company has adopted FASB ASC 825, Financial Instruments, which allows companies to choose to measure eligible financial instruments and certain other items at fair value that are not required to be measured at fair value. The Company has not elected the fair value option for any eligible financial instruments.

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated Financial Statements (Unaudited)

For the Nine Month Period Ended March 31, 2011

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

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 shareholders' equity. Interest income is recognized when earned.

Stock Based Compensation

The Company has adopted the provisions of FASB ASC 718, "Stock Compensation" ("ASC 718"), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of ASC 718, 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

FASB ASC 220 "Reporting Comprehensive Income" establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As of June 30, 2010 and June 30 2009, the Company's only component of comprehensive income is foreign currency translation adjustments.

Long Term Assets

Mineral Properties

Mineral property acquisition costs are capitalized when incurred and will be amortized using the units-of-production method over the estimated life of the probable reserve following the commencement of production. If a mineral property is subsequently abandoned or impaired, any capitalized costs will be expensed in the period of abandonment or impairment.

Acquisition costs include cash consideration and the fair market value of shares issued on the acquisition of mineral properties.

Exploration Costs

Exploration costs, which include maintenance, development and exploration of mineral claims, are expensed as incurred. When it is determined that a mineral deposit can be economically developed as a result of establishing proven and probable reserves, the costs incurred after such determination will be capitalized and amortized over their useful lives. To date, the Company has not established the commercial feasibility of its exploration prospects; therefore, all exploration costs are being expensed.

Fixed Assets

Equipment is recorded at cost less accumulated depreciation. All equipment is amortized over its estimated useful life 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
Exploration equipment	20% declining balance

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated Financial Statements (Unaudited)

For the Nine Month Period Ended March 31, 2011

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

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 FASB ASC 740 as of its inception. Pursuant to FASB ASC 740 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 and 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.

Foreign Currency Translation

The parent 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 FASB ASC 830 "Foreign Currency Translation" ("ASC 830"). 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 Canadian Dollars. 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 U.S. Dollar and the Canadian Dollar. The financial statements of the subsidiaries are translated to United States dollars in accordance with ASC 830 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 the statement of operations.

Asset Retirement Obligation

The Company has adopted ASC 410-20 "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 flows, discounted at the Company's credit-adjusted-risk-free interest rate.

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(Expressed in United States dollars, unless otherwise stated)

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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.

Loss per Share

The Company computes net income (loss) per share in accordance with FASB ASC 260, "Earnings per Share". FASB ASC 260 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.

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 Measurements

On July 1, 2008, the Company adopted FASB ASC 820, Fair Value Measurements as it relates to financial assets and financial liabilities. In February 2008, the FASB staff issued ASC 845, Effective Date of ASC 820 ("ASC 820"). ASC 845 delayed the effective date of ASC 820 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 ASC 845 are effective for the Company's fiscal year beginning July 1, 2009.

ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 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 ASC 820. ASC 820 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).



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## 2. Principal Accounting Policies (Continued):

## Fair Value Measurements (Continued)

The three levels of the fair value hierarchy under ASC 820 are described below:

- 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 ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets	Total	Fair Value at March 31, 2011			June 30, 2010 Total
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Cash equivalents	16,264,965	16,264,965	-	-	21,380,505
Accounts receivable	1,881,297	1,881,297	-	-	1,511,619
Loan Advance	-	-	-	-	243,495
Equity Conversion Right	501,078	501,078	-	-	516,545
Marketable Securities	1,800	1,800	-	-	-
<b>Liabilities</b>					
Warrant liability	21,726,833	-	-	21,726,833	5,979,767

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.

The Equity Conversion Right is accounted for as an asset and is classified within Level 1 because the underlying security has a published and observable market. The Company uses the published closing stock price of the underlying security at the end of the financial reporting period to determine the fair value of the asset. The change in fair value is recorded in the statement of operations as a loss (gain).

The changes in fair value of the Equity Conversion Right during the period ended March 31, 2011 was as follows:

Balance at December 31, 2010	\$336,590
Change in fair value recorded in earnings	164,488
Balance at March 31, 2011	\$501,078

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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 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:

	March 31, 2011	
Risk free interest rate	0.29	%
Expected life of warrants and options	1	year
Expected stock price volatility	71	%
Expected dividend yield	0	%

The changes in fair value of the warrants during the period ended March 31, 2011 were as follows:

Balance at December 31, 2010	\$25,232,895
Issuance of warrants and options	-
Change in fair value recorded in earnings	(1,085,671 )
Transferred to equity upon exercise	(2,420,391 )
Balance at March 31, 2011	\$21,726,833

## Derivatives

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, 2010, 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.

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.

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## 2. Principal Accounting Policies (Continued):

## Accounting Standards Adopted (Continued)

## (i) Derivatives (Continued)

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 \$5,681,370 on the Consolidated Statements of Operations for the year ended June 30, 2010 and \$21,233,585 for the nine months ended March 31, 2011.

## 3. Recent Accounting Pronouncements:

## ASC 860

In June 2009, the FASB issued ASC 860, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement" ("ASC 860"). ASC 860 is intended to establish standards of financial reporting for the transfer of assets to improve the relevance, representational faithfulness, and comparability. ASC 860 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. The Company has adopted ASC 860 on July 1, 2010. The Company has determined that the adoption of ASC 860 will have no impact on its consolidated financial statements.

## ASC 810

In June 2009, the FASB issued ASC 810, "Amendments to FASB Interpretation No. 46(R)" ("ASC 810"). ASC 810 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. ASC 810 becomes effective for the Company's

fiscal 2011 year-end and interim reporting periods thereafter. The Company does not expect ASC 810 to have a material impact on its financial statements.

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## 3. Recent Accounting Pronouncements: (Continued)

## ASU 2010-29

In December 2010, the Financial Accounting Standards Board (FASB) issued additional Accounting Standards Update (ASU) 2010-29 on interim and annual disclosure of pro forma financial information related to business combinations. The new guidance clarifies the acquisition date that should be used for reporting the pro forma financial information in which comparative financial statements are presented. It is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.

## ASU 2010-6

In January 2010, the FASB issued guidance regarding fair value: 1) adding new requirements for disclosures about transfers into and out of Levels 1 and 2 measurements and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements, and 2) clarifying existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The guidance also required that disclosures about postretirement benefit plan assets be provided by classes of assets instead of by major categories of assets. The guidance is effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide Level 3 activity, which was effective for fiscal years beginning after December 15, 2010. The Company has adopted this guidance, which did not have any effect on its results of operations, financial position and cash flows.

## 4. Non-Cash Transactions:

During the nine month period ended March 31, 2011 and 2010, the Company entered into certain non-cash activities as follows:

	2011	2010
Operating and Financing Activities		
From issuance of shares for acquisitions	\$ 28,829,763	\$ -
From issuance of shares for cashless exercise of options	\$ 2,341,322	\$ 636,491
From issuance of shares for mineral property	\$ -	\$ 375,000

## 5. Capital Stock:

## a) Share issuances:

Authorized capital stock consists of 200,000,000 common shares with par value of \$0.001 each.

During the nine month period ended March 31, 2011, the Company issued a total of 26,113,035 common shares which are summarized as follows:

	Common Shares	
	2011	2010
Financing	-	18,400,000
Acquisition of mineral properties	-	300,000
For exercise of warrants and options	4,105,582	4,754,835
For acquisition of companies	22,007,453	-
	26,113,035	23,454,835



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## 5. Capital Stock (Continued):

During the nine month period ended March 31, 2011, the company issued 22,007,453 shares in exchange for all the outstanding and issued shares of X-Cal Resources Ltd. The Company also issued 1,965,582 common shares pursuant to the exercise of options and 2,140,000 shares pursuant to the exercise of share purchase warrants.

## b) Warrants:

The following share purchase warrants were outstanding at March 31, 2011:

	Exercise price in CAD	Exercise price in USD at March 31, 2011	Number of warrants	Remaining contractual life (years)
Warrants *	\$ 1.05	\$ 1.08	7,700,000	1.97
Outstanding and exercisable at March 31, 2011			7,700,000	

\* Strike price of warrant contract in Canadian dollars. At March 31, 2011 \$1.00 USD = \$1.0290 CAD.

	March 31, 2011	March 31, 2010
Risk free interest rate	.29 %	.24 to 1.02%
Expected life of warrants	1 year	1.5 years
Expected stock price volatility	70.9 %	68 to 88 %
Expected dividend yield	0 %	0 %

## c) Stock options:

On August 23, 2007, the board and stockholders approved the 2007/2008 Stock Incentive & Compensation Plan thereby reserving an additional 4,000,000 common shares for issuance to employees, directors and consultants.

On February 24, 2009 the stockholders approved the 2008/2009 Stock Incentive & Equity Compensation Plan thereby reserving an additional 3,000,000 common shares for future issuance. The stockholders also approved the re-pricing of the exercise price of all outstanding stock options to \$0.65 per share.

## 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:

	March 31,		March 31, 2010	
	2011			
Risk free interest rate	0.43	%	0.40%-0.47	%
Expected dividend yield	0	%	0	%
Expected stock price volatility	62%-87	%	114%-116	%
Expected life of options	1 to 2 years		3 years	

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Changes in the Company's stock options for the three month period ended March 31, 2011 are summarized below:

Options	Number	Weighted Avg. Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, beginning of period	4,263,125	1.45	1.90	10,657,119
Issued	-	-		
Cancelled / Expired	-	-		
Exercised	2,027,005	1.12		
Outstanding at March 31, 2011	2,223,620	1.77	2.27	4,697,055
Exercisable at March 31, 2011	1,993,621	1.65	2.07	4,077,655

At March 31, 2011, there were 2,223,620 options outstanding. Options outstanding above that have not been vested at period end are 229,999 which have a maximum service term of 1- 4 years. The vesting of these options is dependent on market conditions which have yet to be met.

For the three and nine month period ended March 31, 2011 the Company recognized stock based compensation expense in the amount of \$848,104 (2010 - \$47,216) and \$1,154,415 (2010 - \$256,407) respectively.

## 6.Related Party Transactions:

During the three and nine month period ended March 31, 2011, directors received payments in the amount of \$82,500 (2010: \$51,000) and \$162,500 (2010 - \$51,000).

During the three and nine month period ended March 31, 2011 the Company made payments of \$23,228 (2010- \$26,097) and \$71,729 (2010-\$69,094) pursuant to a premises lease agreement to a corporation with a shareholder in common with the Company.

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

## 7.Mineral Properties:

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

	March 31, 2011	June 30, 2010
Temoris	4,074,754	4,074,754
Iris Royalty	50,000	50,000

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Morelos	100,000	100,000
San Miguel Project	17,855,824	17,855,824
Andrea	20,625	20,625
Sleeper	24,009,179	–
Mill Creek	2,096,616	–
Spring Valley	385,429	–
Reese River	64,061	–
Peru	10,000	10,000
	\$ 48,666,487	\$ 22,111,203

During the nine month period ended December 31, 2010, the Company made a payment of \$150,000 towards a previously purchased mineral claim that is part of the Sleeper Gold project. The Company has one payment remaining due December 7, 2011 for \$100,000.

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## 8.Fixed Assets:

	Cost	Accumulated Amortization	Net Book Value	
			March 31, 2011	June 30, 2010
Property and Equipment	\$795,053	\$ 301,809	\$493,244	\$519,446

During the nine month period ended March 31, 2011, total additions to property, plant and equipment were \$28,712 (2010- \$28,296). During the nine month period ended March 31, 2011 the Company recorded depreciation of \$54,915.

## 9. Investments:

## Mexoro Minerals Ltd.

The Company holds 250,000 shares of common stock of Mexoro Minerals Ltd. It has not recorded these shares in its financial statements because the shares as of the date of this report were restricted from sale and the Company cannot determine if there is any net realizable value until the shares have been liquidated.

## Garibaldi Resources Corp.

During the nine month period ended, March 31, 2011, the Company sold 400,000 shares of common stock of Garibaldi Resources Corp for net proceeds of \$154,590. It recorded the gain as other income in its Consolidated Statements of Operations.

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## 10.Segmented Information:

Segmented information has been compiled based on the geographic regions in which the Company has acquired mineral properties and performs exploration activities.

Loss by geographical segment for the nine month period ended March 31, 2011:

	United States	Mexico	Total
Interest income	\$65,652	\$20,174	\$85,826
Other income	\$178,230	\$2,603	\$180,833
Total income	\$243,882	\$22,777	\$266,659
<b>Expenses:</b>			
Exploration	2,683,214	3,561,310	6,244,524
Professional fees	919,805	-	919,805
Directors compensation	744,677	-	744,677
Travel and lodging	164,369	-	164,369
Corporate communications	218,770	-	218,770
Consulting fees	365,315	-	365,315
Office and administration	246,407	35,800	282,207
Interest and service charges	7,190	2,293	9,483
Insurance	233,922	-	233,922
Amortization	13,414	41,501	54,915
Accretion	84,674	-	84,674
Acquisition Expenses	1,081,075	-	1,081,075
Income and other taxes	13,015	-	13,015
Total Expenses	6,775,847	3,640,904	10,416,751
Net loss before other items	\$6,531,965	\$3,618,127	\$10,150,092
<b>Other item</b>			
Change in fair value of Equity Conversion Right	15,467	-	15,467
Change in fair value of warrant liability	21,233,585	-	21,233,585
Other Income & Expenses	900	-	900
Net Loss	\$27,781,917	\$3,618,127	\$31,400,044
<b>Other comprehensive loss</b>			
Foreign Currency Translation Adjustment	(492,544 )	\$-	(492,544 )
Total Comprehensive Loss for the Period	\$27,289,373	3,618,127	\$30,907,500



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## 10. Segmented Information (Continued):

Loss by geographical segment for the nine month period ended March 31, 2010:

	United States	Mexico	Total
Interest income	\$ 80,683	\$ 72	\$ 80,755
Expenses:			
Exploration	319,853	3,662,891	3,982,744
Professional fees	691,893	-	691,893
Directors Compensation	94,468	-	94,468
Travel and lodging	158,072	-	158,072
Corporate communications	322,219	-	322,219
Consulting fees	348,127	-	348,127
Office and administration	204,771	60,952	265,723
Interest and service charges	51,731	2,909	54,640
Insurance	36,596	-	36,596
Amortization	13,280	33,685	46,965
Acquisition Expenses	1,060,180	-	1,060,180
Miscellaneous	7,281	-	7,281
Write off of mineral property	275,000	-	275,000
Income and other taxes	43,101	-	43,101
Total Expenses	3,626,572	3,760,437	7,387,009
Net loss before other items	\$ 3,545,889	\$ 3,760,365	\$ 7,306,254
Other item			
Change in fair value of Equity Conversion Right	419,525	-	419,525
Change in fair value of warrant liability	(4,546,442)	-	(4,546,442)
Other Income & Expenses	-	-	0
Net Loss	\$ (581,028 )	\$ 3,760,365	\$ 3,179,337
Other comprehensive loss			
Foreign Currency Translation Adjustment	107,618	-	107,618
Total Comprehensive Loss for the Period	\$ (473,410 )	\$ 3,760,365	\$ 3,286,955

Assets by geographical segment:

	United States	Mexico / Latin America	Total
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March 31, 2011

Mineral properties	\$26,555,284	\$22,111,203	\$48,666,487
Equipment	139,048	354,196	493,244

June 30, 2010

Mineral properties	-	22,111,203	22,111,203
Equipment	\$125,908	\$389,559	\$519,446

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## 11. Reclamation and Environmental

The Company holds an insurance policy related to its Sleeper Gold Project that covers reclamation costs in the event the Company defaults on payments of its reclamation costs up to an aggregate of \$25 million. The insurance premium is being amortized over ten years and the prepaid insurance balance at March 31, 2011 is \$919,555. As a part of the policy, the Company has funds in a commutation account which is used to reimburse reclamation costs and indemnity claims. The balance of the commutation account at March 31, 2011 is \$2,806,647.

Reclamation and environmental costs are based principally on legal requirements. Management estimates costs associated with reclamation of mineral properties. On an ongoing basis the Company evaluates its estimates and assumptions; however, actual amounts could differ from those based on estimates and assumptions.

Changes to the Company's asset retirement obligations are as follows:

Balance, beginning of the period	\$ 1,131,559
Asset retirement obligations acquired	-
Accretion expense	35,210
Payments	(20,195 )
Balance, end of period	\$ 1,146,574

## 12. Equity Conversion Right

On December 4, 2009, the Company entered into an Earn-In Agreement with SNS Silver Corp ("SNS") of Vancouver BC wherein the Company has acquired the right and option to earn up to 30% of SNS's interest in and to the Claims of the Northern Nickel Agreement that SNS holds by incurring Exploration Expenditures of CAD \$1,400,000 by December 31, 2009. SNS has confirmed that said expenditures of CAD \$1,400,000 were incurred by the Company by December 31, 2009 and that the Company now holds an option to acquire a 30% interest in the Northern Nickel claims.

Under terms of the Agreement with SNS, the Company has the option to convert the "Equity Conversion Right" on any and all sums spent on the Exploration Program into shares of SNS at a price of CAD \$0.23 per share.

During the period ended, December 31, 2010, SNS changed its name to Gold Finder Explorations Ltd.

At March 31, 2011, the fair value of the Equity Conversion Right was \$501,078. As a result, the Company recorded a gain related to the change in fair value of the Equity Conversion Right of \$164,488 on the Consolidated Statements of Operations for the three month period ended March 31, 2011.



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## 13. X-Cal Resources Ltd.

On August 23, 2010, the Company acquired all the issued and outstanding shares of common stock of X-Cal Resources Ltd. X-Cal Resources Ltd. is an exploration stage mining company with advanced projects in the state of Nevada. The transaction was structured as a statutory Plan of Arrangement under the Business Corporations Act of British Columbia, Canada. Under the terms of the Plan of Arrangement, X-Cal shareholders received one (1) share of Paramount common stock for every eight (8) common shares of X-Cal.

At the Closing Date, X-Cal Resources Ltd. had 176,059,978 issued and outstanding shares of common stock. Holders of these shares received a total of 22,007,453 shares of Paramount common stock. All options to purchase common shares of X-Cal were terminated prior to the Closing Date, and 1,264,375 options to purchase shares of Paramount common stock were granted to those persons under Paramount's existing stock option plans.

The Company recorded acquisition related costs for the nine month period ended March 31, 2011 of \$1,081,075.

The amounts of X-Cal Resources Ltd. revenue and Net Loss included in the Company's consolidated income statement for the nine month period ended March 31, 2011, and the revenue and earnings of the combined entity had the acquisition date been July 1, 2010, or July 1, 2009, are as follows:

	Revenue	Net Loss (Gain)	Net Loss Per Share
Actual from August 23, 2010 to March 31, 2011	\$0	\$1,643,528	\$0.01
Supplemental pro forma For nine month period ended March 31, 2011	\$254,100	\$31,774,024	\$0.24
Supplemental pro forma For nine month period ending March 31, 2010	\$80,755	\$5,466,937	\$0.06

The following is the allocation of cost of acquisition of X-Cal Resources Ltd.:

Shares eligible for conversion	176,059,978
Common stock exchange ratio per share	0.125
Equivalent new shares to be issued (par value \$0.01)	22,007,497
Total fractional shares in exchange not issued	(44 )
Shares issued	22,007,453
Paramount common stock price on August 20, 2010	1.31
Total preliminary purchase price (common stock)	\$28,829,764
Estimated fair value of options issued	314,790
Total purchase price	\$29,144,554

The following represents the allocation of the total purchase price:

Total preliminary purchase consideration	\$29,144,554
Less historical X-Cal net assets acquired:	

Cash and equivalents	843,101
Prepaid insurance	1,040,485
Reclamation bond	2,926,476
Fixed assets	30,604
Mineral property interests	26,405,284
Other assets	85,228
Accounts payable	(1,065,474 )
Reclamation and enviromental obligations	(1,121,150 )
X-Cal net assets acquired	\$29,144,554

#### 14. Subsequent Events:

The Company issued 12,500 common shares pursuant to the exercise of stock options for proceeds of \$21,000.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from management's perspective on our liquidity financial condition, results of operations and other factors that may affect our future results. This MD&A should be read in conjunction with the accompanying interim financial statements and related notes. We also believe it is important to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended June 30, 2010, as well as other publicly available information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 contains "forward-looking statements". Generally, the words "believes", "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and 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.

Company Overview and History

The Company is a U.S. based exploration stage mining company with multi-million ounce advanced stage precious metals projects in Nevada (Sleeper) and northern Mexico (San Miguel). We are a Delaware corporation incorporated on March 29, 2005. Our executive office is located at 665 Anderson Street, Winnemucca, Nevada. We also have a field office in Temoris, Chihuahua Mexico.

The Company's business strategy is to acquire and develop known precious metals deposits in large-scale geological environments in North America. This helps eliminate discovery risks and significantly increases the efficiency and

effectiveness of exploration programs. Our projects are located in established mining camps near successful operating mines. This greatly reduces the related costs for infrastructure requirements at the exploration stage and eventually for mine construction and operations.

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Properties

The San Miguel Project

Our exploratory activities are concentrated within the San Miguel Groupings which comprise the San Miguel Project.

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 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.

Map 1 – San Miguel Project Location



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The following table outlines our concessions within the San Miguel Project:  
San Miguel Project Concession Data

Concession	Owner	Title No.	Date Staked	Hectares
San Miguel Group				
SAN MIGUEL	Paramount	166401	4-Jun-80	13
SAN LUIS	Paramount	166422	4-Jun-80	4
EMPALME	Paramount	166423	4-Jun-80	6
SANGRE DE CRISTO	Paramount	166424	4-Jun-80	41
SANTA CLARA	Paramount	166425	4-Jun-80	15
EL CARMEN	Paramount	166426	4-Jun-80	59
LAS TRES B.B.B.	Paramount	166427	4-Jun-80	23
SWANWICK	Paramount	166428	4-Jun-80	70
LAS TRES S.S.S.	Paramount	166429	4-Jun-80	19
SAN JUAN	Paramount	166402	4-Jun-80	3
EL ROSARIO	Paramount	166430	4-Jun-80	14
GUADALUPE DE LOS REYES				
REYES	Paramount	172225	4-Jun-80	8
CONSTITUYENTES				
1917	Paramount*	199402	19-Apr-94	66
MONTECRISTO	Paramount*	213579	18-May-01	38
MONTECRISTO				
FRACCION	Paramount*	213580	18-May-01	0.28
MONTECRISTO II	Paramount*	226590	2-Feb-06	27
SANTA CRUZ	Amermin	186960	17-May-90	10
ANDREA	Paramount	231075	16-Jan-08	84,112
GISSEL	Paramount	228244	17-Oct-06	880
ISABEL	Paramount	228724	17-Jan-07	348
ELYCA	Paramount	179842	17-Dec-86	10
T o t a l				85,766
Temoris Project				
Guazapares	Minera Gama	232082	18-May-07	6,265
Roble	Minera Gama	232084	18-May-07	797
Temoris Centro	Minera Gama	232081	18-May-07	40,386
Temoris Fracción 2	Minera Gama	229551	18-May-07	7,328
Temoris Fracción 3	Minera Gama	229552	18-May-07	14
Temoris Fracción 4	Minera Gama	229553	18-May-07	18
T o t a l				54,808
Guazapares Claims				
San Francisco	Paramount*	191486	19-Dec-91	38
Ampliación San Antonio				
San Antonio	Paramount*	196127	23-Sep-92	21
San Antonio	Paramount*	204385	13-Feb-97	15
Guazaparez	Paramount	209497	3-Aug-99	30
Guazaparez 3	Paramount	211040	24-Mar-00	250
Guazaparez 1	Paramount	212890	13-Feb-01	452
Guazaparez 5	Paramount	213572	18-May-01	88
Cantilito	Paramount	220788	7-Oct-03	37
San Antonio	Paramount	222869	14-Sep-04	105

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Guazaparez 4	Paramount	223664	2-Feb-05	64
Guazaparez 2	Paramount	226217	2-Dec-05	404
Vinorama	Paramount	226884	17-Mar-06	474
San Antonio	CA T-204385*	181963	17-Mar-88	15
			T o t a l	1,933
			Grand Total	142,507

(\*) Under option

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Nevada Exploration Projects

The Company's Nevada exploration projects consist of the Sleeper Gold Property, located in Humboldt County, Nevada, the Mill Creek Property and the Reese River Property both located in Lander County, Nevada, and WR Claims in the Spring Valley Area located in Pershing County, Nevada, United States. Our focus will be the exploration of the Sleeper Gold Property located in Humboldt County, Nevada.

MAP of Nevada Explorations

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### Acquisition of X-Cal Resources Ltd.

On August 23, 2010, the Company completed the acquisition of X-Cal Resources Ltd. ("X-Cal"). We acquired all of the issued and outstanding shares of common stock of X-Cal in exchange for 22,007,453 shares of our common stock. The principal asset of X-Cal is the Sleeper Gold Mine located in Humboldt County, Nevada. We intend to focus on drilling mine scale exploration targets defined by current and ongoing studies. The objective of the drilling is to test the targets for gold deposits that warrant follow up drilling for discoveries that can be mined by open pits or underground workings.

The Company has budgeted \$3 million towards the first exploration program on its Sleeper Mine Property. The program commenced in October 2010 with the following objectives:

- Confirm the geological model on which the existing resource estimate was based;
- Test the potential for a significant strike extension to the north of the West Wood resource area
- Collect samples for use in metallurgical test work as the next step in completing a Preliminary Economic Assessment of the West Wood resource
  - Evaluate the potential expansion of a high grade vein occurrence at the Facilities target
    - Collect new mineralized material for use in metallurgical test work; and
- Increase the drill density to upgrade the classification of inferred resources in the resource area.

### Sleeper Gold Property

#### Location

The Sleeper Gold Property is located 26 miles northwest of Winnemucca, Nevada. Automobile and truck access to the property is by Interstate Highway 80 to Winnemucca, north on Highway 95 for 32 miles, west on Highway 140 for 14 miles, and then south for 6 miles on the maintained gravel Sod House Road to the project site. An office building, heavy equipment enclosure plus assorted equipment are present on the Sleeper Gold Property. Necessary supplies, equipment and services to carry out full sequence exploration and mining development projects are available in Winnemucca, Reno, and Elko, Nevada.

#### Titles

X-Cal acquired 100% interest and operatorship of the Sleeper Gold Project in 2006. In December 2006, X-Cal acquired 100% title to the York Leased Lands with no royalties pursuant to a buyout agreement with York Mines. X-Cal has the rights to explore, develop and mine the Sleeper Gold Property.

The Sleeper Gold Property includes a historic open pit mine operated by AMAX Gold from 1986 until 1996, which produced 1.66 million ounces of gold, and 2.3 million ounces of silver. The property has been the subject of several exploration programs. These programs have produced an extensive database for current exploration targeting and continuing studies.

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Exploration

San Miguel Project, Mexico

During the three and nine month ending March 31, 2011, the Company incurred explorations expenditures at its San Miguel project of \$1.4 million and \$3.6 million respectively.

The exploration activity during the nine months ending March 31, 2011 has mainly focused on following target areas known as San Miguel, San Francisco, Monte Cristo-Sangre de Cristo, La Veronica and Don Ese. The Company conducted drilling using diamond core and reverse circulation drills. A total of 14 holes with a cumulative total of 11,641 feet (3,548 meters) were completed during the three month period ending March 31, 2011 and a total of 63 holes have been drilled with a cumulative length of 55,811 feet (17,011 meters) for the nine month period ended March 31, 2011.

Also during the nine month period ended March 31, 2011, metallurgical tests were completed by a third party to test the metal recoveries on various ore types sampled from its ongoing drill campaign. The results of the tests will be used to complete a Preliminary Economic Assessment scheduled for 2012.

The Company plans to continue its exploration activity at its San Miguel project by drilling previously explored targets and by testing other unexplored targets within its large property position. The Company has budgeted \$9 million for the 2011 calendar year.

The San Miguel property groupings are without a known reserve and any activity on the properties is exploratory in nature.

Sleeper Gold Project, USA

During the three month period ended March 31, 2011, the Company completed its first drill program at its Sleeper Gold project. The three and nine month period ending March 31, 2011 exploration expenditures were \$1.2 million and \$ 2.7 million respectively. A total of 18 holes were drilled with a cumulative total of 16,873 feet (5,143 meters).

The Company plans to commence a exploration program at its Sleeper Gold project during the fourth quarter that will focus on the following objectives:

- Continue drilling its West Wood and Facilities targets to establish projected extensions of known mineralized structures and conduct infill drilling
  - Commence drilling on new untested targets
- Create a new geological model incorporating all previous drill hole data including most recent drilling completed in the third quarter by the Company
  - Conduct metallurgical testing on its West Wood and Facilities targets for input into an updated Preliminary Economic Assessment expected in late 2011 or early 2012
- Conduct a sonic drill and metallurgical program on its waste dumps to assess the recoverability of possible mineral inventory.

The Company has established a budget of \$3 million for this program and expects to complete the program by late 2011.

The Sleeper Gold Property is without a known reserve and the proposed program is exploratory in nature.



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### Liquidity and Capital Resources

At March 31, 2011 we had a cash balance of \$16,264,965 compared to \$21,380,505 for the same period in the prior year. The net reduction in cash is attributable to the funding of our exploration programs at our San Miguel project in Mexico and at our Sleeper Mine in Nevada, USA.

At March 31, 2011, the Company had a net working capital, excluding the non-cash warrant liability, of \$18.6 million. We anticipate our cash expenditures to be approximately \$1.0 million per month to fund our exploration activities at our San Miguel and Nevada projects. We believe that our existing cash is adequate to meet our budgeted expenses in the short-term.

In the past, the Company has relied on equity financings as its source of cash. In June 2010, we received \$3.1 million pursuant to the exercise of purchase warrants. In October 2009, we received net proceeds of approximately \$21.7 million through an equity offering of our common stock. During the three month period ended March 31, 2011, the company received \$0.9 million pursuant to the exercise of stock purchase warrants and \$1.25 million pursuant to the exercise of stock options.

At March 31, 2011, the Company also had 7,700,000 “in-the-money” purchase warrants outstanding. Of the warrants outstanding, 7,700,000 are held by the Company’s largest shareholder FCMI Financial Corporation. If all the issued outstanding warrants were exercised, the Company’s cash balances would increase by approximately \$8.3 million.

At March 31, 2011, the accounts receivable amount of \$1,881,297 primarily consisted of value added tax due from the Mexican government. This is a decrease of \$228,770 from December 31, 2010. During the three month period ended March 31, 2011 the company collected \$474,983 in value added tax.

### Results of Operations

Three and Nine months Ended March 31, 2011 Compared to Three and Nine Months Ended March 31, 2010

#### Revenues

As an exploratory mining company, we have not earned revenue from our operations since our inception. The majority of our income is derived from interest earned on our cash holdings. During the nine month period ended March 31, 2011 the Company recorded a gain of \$154,590 from the disposition of marketable securities held for sale. We invest our excess cash in short-term Guaranteed Investment Certificates that range from 30 to 90 day terms. For the three month period ending March 31, 2011, the Company earned \$39,474 compared to \$14,446 in interest income for the same period a year earlier.

#### Costs and Expenses

Exploration expenses were \$2,531,665 and \$6,244,524 for the three and nine month periods ended March 31, 2011 compared to \$1,338,425 and \$3,982,744 for the three and nine month periods ended March 31, 2010. Our level of expenditures has increased from the comparable prior year periods as a result of incurring exploration expenses at our recently acquired Sleeper Gold property in Nevada, USA. Expenses incurred include geology, drilling, lab analysis, metallurgy, site access, license and permitting. Since inception, we have incurred exploration costs totaling \$30,041,788.

Our general and administration expenses which include professional fees, corporate communications, consulting fees and office and administration totaled \$600,208 for the three month period ended March 31, 2011. This is a 4%

decrease over the comparable three month period ended March 31, 2010. For the nine period ended March 31, 2011, the Company's general and administration expenses were \$1,786,097 as compared to \$1,627,962 in the prior year. Management believes the expense growth of 10% to be reasonable given its recent acquisition of X-Cal Resources Ltd.

In the three month period ended March 31, 2011, we incurred minimal additional acquisition expenses related to our purchase of X-Cal Resources Ltd. which closed on August 23, 2010. For the nine month period ended March 31, 2011, the expenses incurred include advisory, legal, termination benefits, restructuring and related integration costs. Although the total acquisition expenses incurred are similar to the comparable period in the prior fiscal year comparing the years is difficult due to the differing outcomes of the two separate and unrelated transactions.



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The increase in fair value in our warrant liability recorded in the nine month period ended March 31, 2011 was \$21,233,585. This adjustment was primarily due to the increase in our share price from \$1.30 at June 30, 2010 to a share price of \$3.88 at March 31, 2011.

### Net Income (loss)

Our net loss before other items for the nine month period ended March 31, 2011 was \$10,150,092 compared to a loss of \$7,306,254 in the comparable period in the previous year. We will continue to incur losses for the foreseeable future as we continue with our planned explorations programs at our Mexico and Nevada project locations.

### Critical Accounting Policies

Management considers the following policies to be most critical in understanding the judgments that are involved in preparing the Company's consolidated financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows. Our financial statements are affected by the accounting policies used and the estimates and assumptions made by management during their preparation. Management believes the Company's critical accounting policies are those related to mineral property acquisition costs, exploration and development cost, stock based compensation, derivative accounting and foreign currency translation.

### Estimates

The Company prepares its consolidated financial statements and notes in conformity to U.S. GAAP and requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. 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.

### Mineral property acquisition costs

The Company capitalizes the cost of acquiring mineral properties and will amortize these costs over the useful life of a property following the commencement of production or expensed if it is determined that the mineral property has no future economic value or the properties are sold or abandoned. Costs includes cash consideration and the fair market value of shares issued on the acquisition of mineral properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts of the specific mineral property at the time the payments are made.

The amounts recorded as mineral properties reflect actual costs incurred to acquire the properties and do not indicate any present or future value of economically recoverable reserves.

### Exploration expenses

The company records exploration expenses as incurred. When it is determined that precious metal resource deposit can be economically and legally extracted or produced based on established proven and probable reserves, further exploration expenses related to such reserves incurred after such a determination will be capitalized. To date the Company has not established any proven or probable reserves and will continue to expense exploration expenses as incurred.



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### Derivatives

The Company has 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. The Company has issued stock purchase warrants with exercise prices denominated in a currency other than its functional currency of U.S. dollars. As a result, these warrants are no longer considered indexed to our stock and must be accounted for as a derivative.

Warrants that are issued with exercise prices other than the Company's functional currency of the U.S. dollar are accounted for as liabilities. The fair value of the outstanding warrants liabilities is determined at each reporting date with any change to the liability from a previous period recorded in the Statement of Operations. We record changes in fair value of the warrant liabilities as a component of other income and expense as we believe the amounts recorded relate to financing activities and not as a result of our operations. If a stock purchase warrant is exercised the Company is only obligated to issue shares in its common stock.

If the Company were to issue stock purchase warrants with exercise prices in its functional currency, the warrants would be considered indexed to our stock and the fair value at date of issue recorded as equity. There would be no requirement under U.S. GAAP to report changes in its fair value from period to period.

### Foreign Currency Translation

The functional currency of the Company is the U.S. dollar. Transactions involving foreign currencies for items included in operations are translated into U.S. dollars using the monthly average exchange rate and monetary assets and liabilities are translated at the exchange rate prevailing at the consolidated balance sheet date and all other consolidated balance sheet items are translated at historical rates applicable to the transactions that comprise the amounts. Translation gains and losses are included in the determination of other comprehensive loss and gains in the Statement of Operations.

### Reclassification

Certain comparative figures have been reclassified to conform to the current quarter presentation.

### 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, or capital resources.

### Disclosure of Contractual Disclosures

#### Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company's market risk profile has not changed significantly from its year ended June 30, 2010.

#### Foreign Currency Exchange Rate Risk

The Company holds cash balances in both U.S. and Canadian dollars. We transact most of our business in US and Canadian dollars. Some of our expenses, including labor and operating supplies are denominated in Mexican Pesos. As a result, currency exchange fluctuations may impact our operating costs. We do not manage our foreign

currency exchange rate risk through the use of financial or derivative instruments, forward contracts or hedging activities.

In general, the strengthening of the U.S. dollar or Canadian dollar will positively impact our expenses transacted in Mexican Pesos. Conversely, any weakening of the U.S dollar or Canadian dollar will increase our expenses transacted in Mexican Pesos. We do not believe that any weakening of the U.S. or Canadian dollar as compared to the Mexican peso will have an adverse material affect on our operations.

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Interest Rate Risk

The Company's investment policy for its cash and cash equivalents is focused on the preservation of capital and supporting the liquidity requirements of the Company. The Company's interest earned on its cash balances is impacted on the fluctuations of U.S. and Canadian interest rates. We do not use interest rate derivative instruments to manage exposure to interest rate changes. We do not believe that interest rate fluctuations will have any effect on our operations.

Item 4.

Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) and determined that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation considered the procedures designed to ensure that the information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

During the period covered by this Quarterly Report on Form 10-Q, there was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(d) and 13d-15(d) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) Inherent Limitations of Disclosure Controls and Internal Controls over Financial Reporting

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation or effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

NONE

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the period ended June 30, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We issued 840,000 shares of our common stock at \$1.05 per share pursuant to the exercise of stock purchase warrants for proceeds of \$881,160.

We also issued 1,723,642 shares of our common stock pursuant to the exercise of 2,027,005 outstanding options for proceeds of \$1,252,600.

We relied on the exemptive provisions of Section 4(2) of the Securities Act.

Item 3. Defaults upon senior securities

Not Applicable.

Item 4. Removed and Reserved

Item 5. Other information

Item 6. Exhibits

Exhibit Number Description

3.1 Certificate of Incorporation, effective March 31, 2005, incorporated by reference to Exhibit 3.1 to Form 10-SB filed November 2, 2005

3.2 Certificate of Amendment to Certificate of Incorporation, effective August 23, 2007, incorporated by reference to Exhibit 3 to Form 8-K filed August 28, 2007

3.2(b) Certificate of Amendment to Certificate of Incorporation, effective March 3, 2009, incorporated by reference to Exhibit 3.1 to Form 8-K filed February 26, 2009

3.3 Restated Bylaws, effective April 18, 2005

- 4.1 Registration Rights Agreement, dated March 30, 2007, incorporated by reference to Exhibit 10.2 to Form 8-K filed April 6, 2007
- 4.2 Form of Investor Warrant, incorporated by reference to Exhibit 10.3 to Form 8-K filed April 6, 2007
- 4.3 Form of Broker Warrant, incorporated by reference to Exhibit 10.4 to Form 8-K filed April 6, 2007
- 4.4 Warrant Certificate, dated March 20, 2009, issued by the Company to Dahlman Rose & Company LLC, incorporated by reference to Exhibit 4.1 to Form 8-K/A filed April 21, 2009
- 10.1 Option Agreement on San Miguel properties, dated December 19, 2005, incorporated by reference to Exhibit 10.11 to our Amendment to Form 10-SB filed February 9, 2006

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10.2	Agency Agreement with Blackmont Capital, Inc., et al., dated March 30, 2007, incorporated by reference to Exhibit 10.1 to Form 8-K filed April 6, 2007
10.3	Agreement of Purchase and Sale between the Company and Tara Gold Resources, dated August 22, 2008, incorporated by reference to Exhibit 10.4 to Form 8-K filed September 2, 2008
10.4	Forebearance Agreement between the Company and Mexoro Minerals Ltd., dated March 17, 2009, incorporated by reference to Exhibit 10.5 to Form 8-K on March 23, 2009
10.5	Letter Agreement for Purchase and Sale of Magnetic Resources Ltd., dated February 12, 2009, incorporated by reference to Exhibit 10.6 to Form 8-K filed on March 23, 2009
10.6	Letter Agreement for Assignment of Option Agreement between the Company and Garibaldi Resources Corp., dated February 2, 2009, incorporated by reference to Exhibit 10.7 to Form 8-K on March 23, 2009
10.7	2006/07 Stock Incentive and Compensation Plan, incorporated by reference to Exhibit 10.1 to Form S-8 filed November 8, 2006
10.8	2007/08 Stock Incentive and Equity Compensation Plan, incorporated by reference to Exhibit A to our proxy statement filed June 29, 2007
10.9	2008/09 Stock Incentive and Equity Compensation Plan, incorporated by reference to Exhibit B to our proxy statement filed January 8, 2009
10.10	Financial Advisory Services Agreement, effective March 1, 2009, by and between the Company and Dahlman Rose & Company LLC, incorporated by reference to Exhibit 10.1 to Form 8-K filed April 21, 2009
10.11	Form of Klondex Support Agreement, incorporated by reference to Schedule "A" to Exhibit 2.1 to Form 8-K filed July 22, 2009
10.12	Form of Paramount Support Agreement, incorporated by reference to Schedule "B" to Exhibit 2.1 to Form 8-K filed July 22, 2009
10.13	Support Agreement between the Company and FCMI Financial Corporation, dated August 5, 2009, incorporated by reference to Exhibit 10.1 to Form 8-K filed August 6, 2009
10.14	Support Agreement between the Company and Garibaldi Resources Corp., dated August 5, 2009, incorporated by reference to Exhibit 10.2 to Form 8-K filed August 6, 2009
10.15	Acquisition Agreement between the Company and X-Cal Resources Ltd. dated June 22, 2010, incorporated by reference to Exhibit 2.1 on Form 8-k



filed June 25, 2010

31.1\* Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

31.2\* Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1\* Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.2\* Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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\* Filed Herewith

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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, 2011

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

Date: May 9, 2011

/s/ CARLO BUFFONE  
Carlo Buffone  
Chief Financial Officer