

PARAMOUNT GOLD & SILVER CORP.

Form 10-K/A

November 05, 2010

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-K/A-1  
\_\_\_\_\_

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

For the fiscal year ended: June 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 \_\_\_\_\_

Commission file number 001-33630

\_\_\_\_\_  
PARAMOUNT GOLD AND SILVER CORP.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

20-3690109  
(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)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
common stock, \$0.001 par value	NYSE Amex

Securities registered pursuant to Section 12(g) of the Act:

None  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
 Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
 Yes  No

Indicate by 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 such filing requirements for the past 90 days.  
 Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  
 Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price for such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter as reported by the NYSE Amex Equities on December 31, 2009 was approximately \$113 million.

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 September 15, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. None.

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This Form 10-K contains “forward-looking statements” within the meaning of applicable securities laws relating to Paramount Gold and Silver Corp. (“Paramount” “we”, “our”, or the “Company”) which represent our current expectations or beliefs including, but not limited to, statements concerning our operations, performance, and financial condition. These statements by their nature involve substantial risks and uncertainties, credit losses, dependence on management and key personnel, variability of quarterly results, and our ability to continue growth. Statements in this annual report regarding planned drilling activities and any other statements about Paramount’s future expectations, beliefs, goals, plans or prospects constitute forward-looking statements. You should also see our risk factors beginning on page 42. For this purpose, any statements contained in this Form 10-K that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as “may”, “anticipate”, “intend”, “could”, “estimate”, or “continue” or the negative or other comparable terminology are intended to identify forward- looking statements. Other matters such as our growth strategy and competition are beyond our control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for us to predict all of such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We are under no duty to update such forward-looking statements.

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Explanatory Note

Paramount Gold and Silver Corp. (the “Company”) is filing this Amendment No. 1 to the Annual Report on Form 10-K (the “Form 10-K/A”) to amend its Annual Report on Form 10-K for the year ended June 30, 2010, which was filed with the Securities and Exchange Commission (“SEC”) on September 28, 2010 (the “Original Filing” and together with the Form 10-K/A, the “Form 10-K”). As amended by this Form 10-K/A, the Form 10K reflects the inclusion of audited statements of income and cash flows for the fiscal year ended June 30, 2008. This Form 10-K/A amends the following items in the Company’s Original Filing to reflect the inclusion of fiscal year ended June 30, 2008 audited information:

Part II, Item 5. A. Market Information

Part II, Item 6. Select Financial Data

Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Part II, Item 8. Financial Statements and Supplementary Data

Part IV, Item 15, Exhibits , Financial Statement Schedules

This Form 10-K/A speaks as of June 30, 2010, unless otherwise noted. Except as indicated above, no other information included in the Original Filing is amended by this Form 10-K/A Amendment No. 1.

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## EXCHANGE RATES:

EXCHANGE RATES BETWEEN CANADA AND THE UNITED STATES HAVE FLUCTUATED THROUGHOUT THE YEAR RANGING FROM APPROXIMATELY PAR VALUE WITH THE U.S. DOLLAR TO APPROXIMATELY CDN \$1.17 PER U.S. DOLLAR. REPORTED TRANSACTIONS ARE CONVERTED TO U.S. DOLLARS AS OF THE DATE OF THE TRANSACTION.

## METRIC CONVERSION TABLE AND ABBREVIATIONS

For ease of reference, the following conversion factors are provided:

1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometers
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per metric ton	= 0.0292 troy ounce/ short ton	1 square mile	= 2.59 square kilometers
1 short ton (2000 pounds)	= 0.9072 ton	1 square kilometer	= 100 hectares
1 ton	= 1,000 kg or 2,204.6 lbs	1 kilogram	= 2.204 pounds or 32.151 troy oz
1 hectare	= 10,000 square meters	1 hectare	= 2.471 acres

The following abbreviations may be used herein:

Au	= gold	m <sup>2</sup>	= square meter
G	= gram	m <sup>3</sup>	= cubic meter
g/t	= grams per tone	Mg	= milligram
Ha	= hectare	mg/m <sup>3</sup>	= milligrams per cubic meter
Km	= kilometer	Tort	= ton
Km <sup>2</sup>	= square kilometers	Oz	= troy ounce
Kg	= kilogram	Ppm	= parts per billion
M	= meter	Ma	= million years

Note: All units in this report are stated in metric measurements unless otherwise noted.

## GLOSSARY OF MINING TERMS

An “exploration stage” prospect is one which is not in either the development or production stage.

A “development stage” project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.

The term “mineralized material” refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.

The term “probable reserve” refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

A “production stage” project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

The term “proven reserve” refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

The term “reserve” refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. (“Bankable standards” implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tons and grade to include diluting materials and allowances for losses that might occur when the material is mined.

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#### Additional Definitions

alteration – any change in the mineral composition of a rock brought about by physical or chemical means

assay – a measure of the valuable mineral content

diamond drilling – rotary drilling using diamond-set or diamond-impregnated bits, to produce a solid continuous core of rock sample

dip – the angle that a structural surface, a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure

disseminated – where minerals occur as scattered particles in the rock

fault – a surface or zone of rock fracture along which there has been displacement

feasibility study – a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production

formation – a distinct layer of sedimentary rock of similar composition

geochemistry – the study of the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water, and the atmosphere

geophysics – the study of the mechanical, electrical and magnetic properties of the earth's crust

geophysical surveys – a survey method used primarily in the mining industry as an exploration tool, applying the methods of physics and engineering to the earth's surface



geotechnical – the study of ground stability

grade – quantity of metal per unit weight of host rock

heap leach – a mineral processing method involving the crushing and stacking of an ore on an impermeable liner upon which solutions are sprayed to dissolve metals i.e. gold, copper etc.; the solutions containing the metals are then collected and treated to recover the metals

host rock – the rock in which a mineral or an ore body may be contained

in-situ – in its natural position

lithology – the character of the rock described in terms of its structure, color, mineral composition, grain size and arrangement of its component parts, all those visible features that in the aggregate impart individuality to the rock

mapped or geological mapping – the recording of geologic information including rock units and the occurrence of structural features, and mineral deposits on maps

mineral – a naturally occurring inorganic crystalline material having a definite chemical composition

mineralization – a natural accumulation or concentration in rocks or soil of one or more potentially economic minerals, also the process by which minerals are introduced or concentrated in a rock

outcrop – that part of a geologic formation or structure that appears at the surface of the earth

open pit or open cut – surface mining in which the ore is extracted from a pit or quarry, the geometry of the pit may vary with the characteristics of the ore body

ore – mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions

ore body – a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable

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ore grade – the average weight of the valuable metal or mineral contained in a specific weight of ore i.e. grams per ton of ore

oxide – gold bearing ore which results from the oxidation of near surface sulfide ore

preliminary assessment – a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study

QA/QC – Quality Assurance/Quality Control is the process of controlling and assuring data quality for assays and other exploration and mining data

quartz – a mineral composed of silicon dioxide, SiO<sub>2</sub> (silica)

RC (reverse circulation) drilling – a drilling method using a tri-cone bit, during which rock cuttings are pushed from the bottom of the drill hole to the surface through an outer tube, by liquid and/or air pressure moving through an inner tube

rock – indurated naturally occurring mineral matter of various compositions

sampling and analytical variance/precision – an estimate of the total error induced by sampling, sample preparation and analysis

sediment – particles transported by water, wind or ice

sedimentary rock – rock formed at the earth's surface from solid particles, whether mineral or organic, which have been moved from their position of origin and re-deposited

strike – the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal

strip – to remove overburden in order to expose ore

sulfide – a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing mineral often associated with gold mineralization

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## PART I

### ITEM 1. BUSINESS.

#### Overview and History:

We are an exploration stage mining company which has as its core business, precious metals exploration in Mexico. We recently acquired mining properties in Nevada and will expand our drilling program to include our mining properties in Nevada. We are a Delaware corporation and we were incorporated on March 29, 2005. Our head office is located at 665 Anderson Street, Winnemucca, Nevada. We also have a field office in Temoris, Chihuahua Mexico.

Through our wholly owned Mexican subsidiary, Paramount Gold de Mexico S.A. de C.V., we own a 100% interest in the San Miguel property which we acquired from Tara Gold Resources Corp. ("Tara Gold").

In March 2009, we acquired all of the issued and outstanding shares of common stock of Magnetic Resources Ltd. ("Magnetic"). Magnetic is the sole beneficial shareholder of Minera Gama, S.A. de C.V. which holds interests in various mineral concessions in Mexico known as the Temoris project and the Morelos project. The Temoris project forms part of the greater San Miguel project. Magnetic also holds a 2.0% NSR royalty from production arising from the Iris mineral concessions located in the Municipality of Ocampo in Chihuahua, Mexico. The Morelos Project and the Iris Project are ancillary to our primary business plan.

Also in 2009, we closed on an agreement with Garibaldi Resource Corp ("Garibaldi") in which we acquired the outstanding option on the Temoris project. With the acquisition of both Magnetic and our agreement with Garibaldi, we increased our mining claims in the San Miguel project area by approximately 54,000 hectares.

In May 2008, we signed an agreement with Mexoro Minerals Ltd. ("Mexoro") and its Mexican subsidiary, Sunburst Mining de Mexico S.A. de C.V., to acquire, for a purchase price of US\$3.7 million, Mexoro's rights to a number of mining concessions known as the Guazapares concessions, comprising approximately 1,980 hectares and located in Chihuahua, Mexico. The Guazapares project comprises 12 claims surrounding Paramount's San Miguel Project and also forms part of the greater San Miguel project. An additional payment of US\$1.6 million is due to Mexoro if, within 36 months, the project is put into commercial production or if Paramount or substantially all of its assets are sold.

On August 23, 2010, we acquired all of the issued and outstanding shares of common stock of X-Cal Resources Ltd. ("X-Cal"). We issued 22,001,247 shares of our common stock in exchange for all of the issued and outstanding shares of common stock of X-Cal. The principal asset of X-Cal is the Sleeper Gold Mine located in Humboldt County, Nevada. We are planning a drill that will commence in the fourth quarter of 2010 with an estimated budget of \$3 million. The objective of the drill program will be to test the targets for Sleeper type gold deposits that warrant follow up drilling for discoveries that can be mined by open pits or underground workings. We also intend to conduct metallurgical testing on the 714,000 ounces of gold sitting above ground.

#### Financings and Related Agreements:

We have been dependent upon equity financings to operate our business. On March 30, 2007 we closed on an equity financing came from a private placement of our securities in the amount of \$21,836,841. The financing consisted of the sale of 10,398,496 units at a price of \$2.10 per unit. The warrants have expired.

From April 2007 through February 2009, we completed several small private placements ranging from \$100,000 to approximately \$1.8 million. These funds were used to expand our drilling operations in Mexico as well as for general working capital purposes.



On March 20, 2009 we sold a total of 12 million units of our securities at a price of CDN\$0.75 per unit for a total of CDN\$9,000,000 (the "Financing"). (Based on an exchange rate of CDN\$1 = US\$0.80 we raised gross proceeds of US\$7.2 million). Each unit consisted of one share of common stock and one common stock purchase warrant. Each warrant entitles the holder thereof to purchase one share of our common stock at an exercise price of CDN\$1.05 per share for a period of four years from the date of issuance. The warrants were not exercisable until six months from their issue date.

In October 2009 we sold a total of 16 million shares of our common stock at \$1.25 by way of public offering lead by a U.S broker-dealer. In addition, our underwriter exercised all of its over-allotment of 2.4 million shares generating approximately \$23 million in gross proceeds and \$21.7 net proceeds.

In January 2010, we issued to MineralFields Group 3,636,362 shares of our common stock at a per share of \$1.25 for gross proceeds of C\$4,454,525 pursuant to the exercise of common share purchase warrants.

In June 2010 we issued 3 million shares of our common stock pursuant to the exercise of 3 million common stock warrants resulting in proceeds of CDN \$3,150,000

Depending on the results of our drilling program, we may require additional financing. There can be no assurance that this financing will be available or if available, on terms acceptable to the Company.

#### Inter-corporate Relationships:

We currently have six wholly owned subsidiaries:

Paramount Gold de Mexico S.A. CV operates our business in Mexico and holds our interests in the San Miguel Project and certain other mineral concessions.

Magnetic Resources Ltd. which owns Minera Gama, S.A. de C.V. ("Minera Gama") holds interests in mineral concessions in Mexico known as the Temoris project and the Morelos project, as well as a royalty interest in the Iris project. All three of these projects surrounds the San Miguel Project.

Compania Minera Paramount SAC ("Compania Minera") used to operate and hold our mining interests in Peru.

Paramount Metals Corp. ("Paramount Metals") whose focus is base metal exploration.

X-Cal Resources, Ltd. Operates our mining interests in Nevada.

Neither Compania Minera nor Paramount Metals is currently active.

#### MARKET DESCRIPTION

##### Gold and Silver:

We are a precious metals exploration company with gold and silver exploration properties located in Mexico. The gold and silver markets have been strong since 2001, where gold has increased from \$268 per ounce to a high of approximately \$1,250 per ounce to its current price of approximately \$1,269 per ounce. Silver has increased from \$4.58 per ounce to a high of \$21.00 per ounce to its current price of approximately \$20.48 per ounce. (Current prices are as of September 14, 2010). Management believes that both the gold and silver markets will remain strong for the foreseeable future.



Mineral exploration in Mexico and the United States.

Mexico is one of the world's largest mineral producers. It provides an ideal business site for mining companies to operate given its stable government and inclusion in the North American Free Trade Agreement. U.S. mineral production has remained strong through the past decade. The state of Nevada is one of the most significant gold districts in the world

Employees

As of July 30, 2010, we had approximately 30 employees and consultants located in Mexico and the United States.

Facilities

Our head office is located in Winnemucca, Nevada. We also have an office in Temoris, Mexico. The premise leases for all facilities are all in good standing.

Properties

#### SAN MIGUEL PROJECT

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



## Property Location Map

### Project Description and Location

#### Location

The San Miguel Project is located in southwestern Chihuahua in Northern Mexico, and is approximately 400 km by road from the state capital of Chihuahua City. 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 Figure 1.

#### Land Area

The San Miguel project originally consisted of 17 smaller concessions clustered near Guazapares, Chihuahua with a total area of 427.17 hectares, plus the much larger Andrea, Gissel and Isabel concessions which were staked in 2008, the Elyca concession which was acquired in 2008, and a joint venture agreement that had been signed with Garibaldi Resources Corporation as part of a district wide exploration program.

Since November 2008, there have been significant additions to the San Miguel project concessions. In March 2009 we acquired from Garibaldi all of their interest in several mining concession totalling approximately 54,000 hectares Pursuant to the agreement Paramount paid Garibaldi a total of \$400,000 in cash and issued 6 million shares of Paramount's common stock. A map of the new Temoris project is set forth below.

Also in March 2009, Paramount acquired all of the issued and outstanding shares of stock of Magnetic Resources Ltd. Magnetic was the sole beneficial shareholder of Minera Gama which was the underlying concession holder of Garibaldi's Temoris Project, as well as two other groups of concessions which are not in the San Miguel area – the Morelos grassroots exploration and Iris royalty projects. In addition, Paramount purchased from Mexoro Minerals Ltd., and its Mexican subsidiary, Sunburst Mining de Mexico, S.A. de C.V., to acquire its interest to the Guazapares concession group adjacent to Paramount's San Miguel group subject to certain net smelter return royalties for a purchase price of \$3.7 million. The property is comprised of 1980 hectares.

#### San Miguel Concessions Including the Temoris Project

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	12.9458
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	59.0864
LAS TRES B.B.B.	Paramount	166427	4-Jun-80	23.001
SWANWICK	Paramount	166428	4-Jun-80	70.1316
LAS TRES S.S.S.	Paramount	166429	4-Jun-80	19.1908
SAN JUAN	Paramount	166402	4-Jun-80	3
EL ROSARIO	Paramount	166430	4-Jun-80	14
GUADALUPE DE LOS REYES	Paramount	172225	4-Jun-80	8
CONSTITUYENTES 1917	Paramount*	199402	19-Apr-94	66.2403
MONTECRISTO	Paramount*	213579	18-May-01	38.056
MONTECRISTO FRACCION	Paramount*	213580	18-May-01	0.2813
MONTECRISTO II	Paramount*	226590	2-Feb-06	27.1426
SANTA CRUZ	Amermin	186960	17-May-90	10
ANDREA	Paramount	231075	16-Jan-08	84112.6183
GISSEL	Paramount	228244	17-Oct-06	880
ISABEL	Paramount	228724	17-Jan-07	348.285
ELYCA	Paramount	179842	17-Dec-86	10.0924
			Total	85768.0715

Temoris Project				
Guazapares	Minera Gama	232082	18-May-07	6265.2328
Roble	Minera Gama	232084	18-May-07	797.795
Temoris Centro	Minera Gama	232081	18-May-07	40386.1449
Temoris Fracción 2	Minera Gama	229551	18-May-07	7328.1302
Temoris Fracción 3	Minera Gama	229552	18-May-07	14.0432
Temoris Fracción 4	Minera Gama	229553	18-May-07	18.6567
			Total	100713.042
Guazapares Claims				
San Francisco	Paramount*	191486	19-Dec-91	38.1598
Ampliación San Antonio	Paramount*	196127	23-Sep-92	20.9174
San Antonio	Paramount*	204385	13-Feb-97	14.8932
Guazaparez	Paramount	209497	3-Aug-99	30.9111
Guazaparez 3	Paramount	211040	24-Mar-00	250
Guazaparez 1	Paramount	212890	13-Feb-01	451.9655
Guazaparez 5	Paramount	213572	18-May-01	88.8744
Cantilito	Paramount	220788	7-Oct-03	37.035
San Antonio	Paramount	222869	14-Sep-04	105.1116
Guazaparez 4	Paramount	223664	2-Feb-05	63.9713
Guazaparez 2	Paramount	226217	2-Dec-05	404.0016
Vinorama	Paramount	226884	17-Mar-06	474.222
San Antonio	CA T-204385*	181963	17-Mar-88	15
			Total	1980.0629
			Grand Total	188461.176

(\*) Under option

Current Agreements with respect to mining concessions:

#### San Miguel Group Agreement

The San Miguel Grouping forms the initial core of the property. It includes the concessions San Miguel, San Juan, San Luis, Empalme, Sangre de Cristo, Santa Clara, El Carmen, Las Tres BBB, Swanwick, Las Tres SSS, El Rosario and Guadalupe de Los Reyes as listed in Table 1, a total of 275 hectares. The San Miguel Groupings were acquired by Corporacion Amermin S.A. ("Amermin"), a subsidiary of Tara Gold. We earned our 70% interest in the concessions pursuant to an option agreement with Amermin dated August 3, 2005 by making \$450,000 in payments, issuing 700,000 restricted shares of Paramount common stock and incurring \$2.5 million in exploration expenditures. Under the terms of the joint venture with Amermin (the "Joint Venture") as contained in the Joint Venture Agreement between the parties effective February 7, 2007 (the "Joint Venture Agreement"), Paramount served as the manager of the Joint Venture.

On October 1, 2008, we closed on our agreement with Tara Gold to acquire all of the remaining equity ownership of the Joint Venture. In consideration for the acquisition of the remaining equity interest (30%) owned by Tara Gold in the Joint Venture, we issued to Tara Gold a total of 7,350,000 shares of our legended common stock. Also, in connection with the closing of the transaction, all invoices previously submitted by Paramount for Tara Gold's contribution to the exploration and development of the San Miguel property were cancelled. In consideration for the transfer of the mining concessions, Paramount has paid to Tara Gold \$100,000MXN (approximately US\$10,000).

#### La Blanca Agreement

Paramount acquired a number of the mining concessions including the Montecristo, Montecristo II, Monecristo Fraccion and Constituyentes 1917 concessions as listed in Table 1, a total of 131 hectares. The Santa Cruz concession totals 10 hectares (Table 1). We own a 100% interest in the concession and await title transfer from Tara Gold. The Elyca concession, totaling 10.0924 hectares (Table 1), was purchased from Minera Rio Tinto, S.A. de C.V. for cash and stock.

#### Mexoro

Paramount acquired the Guazapares claims from the Mexican subsidiary of Mexoro Minerals to the Mexican subsidiary of Paramount.

#### Garibaldi

On January 30, 2009, we closed on our agreement with Garibaldi whereby Garibaldi assigned its option in the Temoris Concession to Paramount. In consideration for the assignment of the Temoris option, Paramount paid Garibaldi a total of \$400,000 in cash and issued to Garibaldi 6 million shares of our common stock. Subsequent to the purchase of Magnetic Resources as noted above, Paramount terminated the option agreement.

#### Other

Paramount staked the Andrea, Gissel and Isabel concessions that form the Andrea Project east of the San Miguel Project totaling over 84,000 hectares. As these were denounced (equivalent of staked), there are no associated agreements and we own a 100% interest in these claims.



## Ejido Agreements

We have signed agreements with two ejidos, or surface-owner councils, allowing for surface disturbance during exploration activities on Paramount's concessions. Agreements with the Guazapares and Batosegachi ejidos were signed on April 29th and 19th, 2007, respectively, and are effective for a period of five years. The Guazapares and Batosegachi ejido agreements were registered with the National Agrarian Registry on May 4th and 5th, 2007, respectively. The agreements permit Paramount to carry out exploration on the ejidos' areas in exchange for compensation of a fixed sum per hectare of physical disturbance associated with exploration such as the cutting of trees and construction of drill access roads and drill pads, etc. In April 2010, we signed an agreement with an additional Ejido covering the newly purchased concessions.

## Community Involvement

Several rural communities are located within our work area, the most important of which are Temoris, Guazapares, Batosegachi, San José and Tahonitas. In keeping with our policy of community integration, Paramount has carried out a program of economic and other assistance, including: donations of materials and wages for construction projects at schools in Guazapares, San Jose and Temoris; a donation for the acquisition of computers for the regional junior high school; donation to DIF, the organization for integral family development in Temoris; construction materials for DIF, for the construction of houses for disadvantaged families; donation for purchase of fertilizer for the farmers of Batosegachi; financial assistance for the upgrading and maintenance of local roads utilized by Paramount to access the San Miguel Project in Guazapares and Batosegachi ejidos; and the creation of up to 40 jobs.

## Environmental Reports and Liabilities:

With the assistance of a Mexican environmental permitting consultant, Vugalit S.C., Paramount has satisfied the requirements regarding permitting for the ongoing exploration program with the office of the Mexican governmental environmental agency, SEMARNAT, in Chihuahua City. Disturbance associated with exploration work completed by Paramount to date is limited to construction of drill access roads, drill pads and trenches. No direct mining related activities have been carried out.

On Paramount's behalf, Vugalit S.C submitted a NOM-120-SEMARNAT-1997 application to SEMARNAT on March 15, 2007 to permit exploration activities at the San Miguel Project. The application was accepted and became effective on July 19, 2007. The permit allows a total disturbance of 7.6224 hectares valid to December 31, 2011. The permit provides for reclamation of the concession areas by the Fondo Forestal Mexicano following the cessation of exploration activities in the permit area. The permit set the cost of reclamation at a total of 198,205 Mexican pesos, which was paid by Paramount to Fondo Forestal Mexicano.

Through our wholly owned Mexican subsidiary, we have been granted mineral claims which grant us exclusive exploration and exploitation rights. Mexican mining claims are valid for an initial 25 year term with one renewable term for 25 years. Exploration claims grant the automatic right to disturb the surface to conduct exploratory work such as drilling. Permits are automatically granted once rights have been issued together with the payment of nominal fees. Exploitation, mine development and construction requires the approval of various levels of local government in Mexico. However, this is not under consideration by Paramount at this time. Access to the properties are by agreement by the owner or local community and are typically granted for a nominal fee.

Vugalit S.C also filed an Environmental Impact Study with SEMARNAT on behalf of Paramount.

With these exceptions, there has been no mining activity on the San Miguel concessions since the early 1900's. Between 1958 and 1968, Alaska-Juneau operated the San Luis mine and mill, producing waste rock and tailings. In

the late 1970's, a few thousand tons of vein material were shipped from the San Miguel vein to El Paso as smelter flux. In the 1990's a very small and unsuccessful attempt was made to heap leach oxidized silver ores near the north end of the La Union area. It is uncertain whether Paramount would be held responsible for the cleanup of these areas should it put a mine into production nearby.



Excepting the work that was carried out as part of the Environmental Impact Study, we have as not yet conducted any baseline environmental studies, such as surface or groundwater sampling, of the San Miguel Project area. We believe such studies should be conducted to document any residual effects that the historic mining activities may still be having on the soils and streams of the Guazapares area.

The village of Guazapares is immediately adjacent to the historic San Luis mine area and is also adjacent other Paramount exploration targets. The village of Batosegachi is less than a kilometer from the San Miguel exploration area. While the local people appear to be supportive of our current exploration efforts, it is not known what financial or time-related impacts to the permitting of a mining operation, if any, the close proximity to these villages might create.

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

##### Access:

Direct access to San Miguel is by the paved highway 127 to the town of Creel, then by reasonably good gravel roads to Temoris and then Guazapares. The simplest way for a visitor to reach Temoris is via the Chihuahua-Pacific rail service between Chihuahua City and Temoris, a nine hour trip. Two passenger trains in each direction and several freight trains serve Temoris and Los Mochis on the pacific coast daily. From the Temoris train station to the village of Guazapares the drive is about 15 minutes by a winding gravel road. In August we received approval from SEMARNAT to expand our drilling activities to new project areas.

##### Climate:

The Temoris area has a temperate climate. Undisturbed slopes are covered by juniper-pine-oak forests. Rainfall is largely in the summer months, with an annual average of about 8 cm. Maximum temperatures rarely exceed 35°C, and minimum temperatures are rarely less than 5o C. The average elevation in the vicinity of Guazapares is 1,600 meters. While there can occasionally be snow or heavy rains, it is anticipated that exploration work or mining can continue throughout the year.

##### Local Resources, Infrastructure:

The Temoris area has reasonably good local infrastructure and a workforce generally receptive to mining. Temoris and Chinipas have populations of approximately 1,500 people , 200 of which live in the village of Guazapares, and there are several smaller villages in the general area. The total available workforce of the area may approach 5,000 people.

A new electric power line is now reaching Guazapares for the first time. While it is adequate for home use, it will not be adequate for mineral processing. Management believes that future feasibility studies of potential mineral production and processing must consider either upgrading the power line or generating power on site.

It would appear that local streams and groundwater should suffice. They were adequate for underground mining by the Alaska-Juneau Company in 1960, and water abundance was a problem in the deeper workings.

As noted above the Chihuahua-Pacific railway connects Temoris to Los Mochis on the Pacific side and to Chihuahua on the east. This would provide convenient access for shipping of supplies and personnel. The gravel road from Temoris to Guazapares will require some improvement for mine access. There is an airstrip suitable for light aircraft at Temoris. While much of the region is deeply incised by stream drainages, the immediate area of Guazapares has relatively gentle topography, with several areas sufficiently level for construction of processing sites.

As an exploration company with no active mines under development or operating, we have relied on a series of public and temporary roads to access our properties.

### Physiography:

Paramount's San Miguel project is near the center of the Sierra Madre Occidental range. This range is actually a relatively structurally undisturbed plateau composed of nearly flat-lying Tertiary volcanic rocks. This plateau is generally deeply incised, with many steeply walled canyons and small, relatively level, plateau remnants between them. The San Miguel project area explored to date occupies one of these more level areas. To the west the volcanic plateau is bounded by an extensional terrane, which represents the southern continuation of the basin and range province of the western USA.

The terrain is often hilly to steeply mountainous. It is generally covered with pinyon-juniper-oak forests where not cleared for agriculture. More gently sloping areas are used for small vegetable and corn plots and the grazing of cattle.

### History

#### Pre-Paramount Mining and Exploration History:

The center of the San Miguel Project is in the Guazapares mining district. The town of Guazapares was founded in 1620 along with a Jesuit mission. The first recorded mining activity was in 1677. Small-scale mining apparently continued throughout the Spanish colonial period. The Guazapares quartz breccia-veins were being developed by 1830, but the major period of older production took place between 1870 and 1900. During this period four pan amalgamation mills were in production to treat oxidized ores. Very little gold was recovered due to the limitations of the process. A note in a recent report by Minera Rio Tinto says that 400,000 tons grading 300 g/t Ag was the total production (source unknown). Workings would have been directed toward production of these oxide ores at depths less than 70 meters.

After 1905, a U.S. company (name unknown) consolidated most of the properties and reopened some of the workings, but went bankrupt during the market panic of 1907. Shortly thereafter Ramon Valenzuela acquired the main properties and ran a 5-stamp mill until 1912. At that point, Pancho Villa's troops took the bullion and operated the mines briefly for the benefit of the revolution. Any mining in the subsequent 45 years was done on a very small scale by local prospectors.

In 1957 a company called Hilos de Plata rebuilt Valenzuela's mill and began operating the San Luis mine, but rather ineffectively. Engineer C.W. Yetter of the Alaska-Juneau Mining Company evaluated the property in 1958. This led to its acquisition by Alaska-Juneau, who operated the mine from 1958 to 1968. During this period the San Luis ore was exploited by a 270 meter inclined shaft and processed in a 150 tons per day floatation mill. Production records are being sought, but are not available at this time. At 1960's metal prices, the mined grades must have been quite high by today's standards. The author had access to one longitudinal section of the principal San Luis vein, drawn by Alaska-Juneau, showing 71 face samples in several stopes. A weighted average of these samples was 155.6 g/t Ag and 144 g/t Au. There were no lead and zinc assays noted, although both are apparent in the workings.

ASARCO LLC is reported to have drilled 15 core holes in the 1950's in the San Luis and San Jose mine areas, but data are fragmentary and hole locations are uncertain. In a 1976 joint venture, Earth Resources and Penoles investigated the property. They sampled most accessible workings, did grid-based geochemical sampling and drilled 3098 feet in 39 short air-trac holes with poor sample recovery. Preliminary metallurgical testing by Hazen Research at that time stated that the mineralization would be amenable to cyanidation, floatation or probably to heap leaching. Simons Associates did much of the fieldwork for the JV, and later continued to control the property. Copies of some of their reports are available in Paramount's files.

The Consejo de Recursos Minerales sampled parts of the underground workings in 1985 and 1988, the vestiges of which are still visible in the workings. Kennecott acquired a portion of the property in 1994, carried out surface and underground sampling, and drilled 12 RC holes for a total of 2268 meters. Paramount has in its files sections including geology and assays for only 4 of these holes, but little other data from this work.

Minera Rio Tinto reviewed the available data and acquired large concessions to the east of the main Guazapares mineralization in 2002.

## Paramount Exploration History

As of August 31, 2008, Paramount had completed 69 trenches for a total of 3,743 meters, in the Santa Clara, La Union, San Jose, and San Antonio, El Carmen and La Veronica areas. Trenches approximately 30 inches wide were cut perpendicular to the strike of the veins with an excavator. They were cut as deep as the hardness of the rock would allow. All trenches were mapped for lithology, alteration, structural controls of mineralization and oxidation and were sampled in detail. Trench sampling was used to assist in the geological interpretation and modeling.

Also as of August 31, 2008, a total of 47,559 meters of HQ size (2.5 in) core drilling had been completed in 213 holes. All of the core has been photographed and logged in detail. Drilling was focused on the La Union, San Jose, San Luis, San Antonio, El Carmen, San Miguel and Montecristo areas.

In 2009, Paramount drilled eight core holes in the Monte Cristo area, for an additional 2691 meters of exploration drilling, and three infill holes at the San Miguel Clavo 99 target area for 1,095 meters. In 2010 drilling has concentrated on the San Francisco target area, where 8 core holes (2572 meters) and 13 reverse circulation holes (4192) have been drilled.

## Geological Setting

### Regional Geology:

The Guazapares district and the San Miguel Project are located in the western part of the Sierra Madre Occidental (“SMO”) physiographic province. The SMO is characterized by a northwest trending plateau with an average elevation exceeding 2,000 m asl, and covers an area approximately 1,200 km long and 200–400 km wide, extending southeast from the border with the United States to the Trans-Mexican Volcanic Belt.

The term “Sierra Madre Occidental” is also used to describe the Tertiary volcanic province characterized by large volumes of silicic ignimbrites. Within this context, the Sierra Madre Occidental extends beyond the boundaries of the physiographic province and includes the Mesa Central and part of eastern Chihuahua. The Sierra Madre Occidental volcanic province is one of the largest silicic igneous provinces on Earth, covering an area of approximately 300,000 km<sup>2</sup>.

The voluminous siliceous ignimbrites that characterize the Sierra Madre Occidental volcanic province are part of a larger sequence of volcanic and plutonic rocks that are believed to reflect subduction-related continental arc magmatism that slowly migrated eastward during the early Tertiary and then retreated westward more quickly, reaching the western margin of the continent by the end of the Oligocene. The arc-related and younger assemblages include from oldest to youngest:

- (1) plutonic and andesitic volcanic rocks of Late Cretaceous-Paleocene age;
- (2) Eocene andesitic and lesser dacitic-rhyolitic volcanic rocks;
- (3) silicic ignimbrites emplaced as a result of two main pulses of caldera eruptions in the Early Oligocene and Early Miocene;
- (4) basaltic lavas erupted during the later stages of, and after, each ignimbritic pulse; and
- (5) repeated episodes of alkaline basaltic lavas and ignimbrites generally emplaced along the periphery of the Sierra Madre Occidental in the Late Miocene, Pliocene and Quaternary.

The Sierra Madre Occidental rock assemblage forms a typical calc-alkaline rhyolite suite with intermediate to high K and relatively low Fe contents. Assemblages 1 and 2 have been defined as the Lower Volcanic Complex or Lower Volcanic Series, which is composed of over 2,000 meters of predominantly andesitic volcanics, with a few interlayered ash flows and related hypabyssal intrusions. Assemblage 3 has been defined as the Upper Volcanic Supergroup or Upper Volcanic Series and comprises over 1,000 meters of rhyolitic ignimbrites and flows, with subordinate andesite, dacite, and basalt. The Upper Volcanic Supergroup unconformably overlies the Lower Volcanic Complex. Some altered acidic intrusive bodies, often associated with mineralization may be related to early phases of this upper sequence. All the assemblages are partly superimposed and cover a heterogeneous basement of Precambrian, Paleozoic, and Mesozoic rocks locally exposed in deeply incised canyons (Ferrari et al., 2007).

The oldest (ca. 101 to ca. 89 Ma) intrusive rocks of the Lower Volcanic Complex in Sinaloa, and late Cretaceous volcanics (ca. 70.6 to ca. 65.5 Ma) of the Lower Volcanic Complex in central Chihuahua, were affected by moderate contractile deformation during the Laramide orogeny. In the final stages of this deformation cycle (Paleocene and Early Eocene), E-W to ENE-WSW-trending extensional structures formed within the Lower Volcanic Complex of the western Sierra Madre Occidental. The Upper Volcanic Supergroup is relatively flat-lying to gently east dipping and undeformed by the older Laramide event.

Subsequent to the Laramide compressional event, the Sierra Madre Occidental has been variably affected by different episodes of dominantly extensional deformation. Extensional tectonics began as early as the Oligocene along the entire eastern half of the Sierra Madre Occidental, forming grabens bounded by high-angle normal faults. In the Early to Middle Miocene, extension migrated westward and by the Late Miocene, extension became focused in the westernmost part of the Sierra Madre Occidental, adjacent to the Gulf of California. Extensional deformation has not affected the core of the Sierra Madre Occidental, which lies between what has been defined as the “Mexican Basin and Range,” to the east, and the “Gulf Extensional Province,” to the west. At the northern and southern ends of the Sierra Madre Occidental, these two provinces merge where extension has affected the entire width of the Sierra Madre Occidental.

Within the western part of the Sierra Madre Occidental, a 300 km long north-northwest trending belt of low to intermediate sulfidization, epithermal, polymetallic silver and gold mineralization extends from the Moris deposit to Guadalupe y Calvo along the southwest border of Chihuahua. This trend of mineral occurrences appears to be localized by a series of north northwest oriented regional extensional structures.

#### Local Geology:

In the Guazapares district, regionally weakly propylitically altered andesitic rocks and lesser rhyodacitic volcanic tuffs and related hypabyssal intrusions of the Lower Volcanic Complex occur at lower elevations. Massive rhyolitic ashflow tuffs of the Eocene-Oligocene Upper Volcanic Supergroup occur on the higher ridgetops. Felsic rocks of the upper sequence are generally unmineralized. Miocene basaltic andesites and basalts locally overlie the Upper Volcanic Supergroup immediately west of the San Miguel and Empalme concessions. Nearly all the known mineralization, including all of the mineralized rock in the San Miguel Claim group, is developed in the Lower Volcanic Complex rocks.

District faults generally trend north-northwest, paralleling the regional structural setting. Silver-gold-lead-zinc mineralization at the San Miguel Project is spatially associated with these fault structures. Several rhyodacite dikes follow these fault zones and appear to be associated with mineralization.

The San Miguel Project is composed of a series of concessions that overlie a NNW district-scale fault zone. For descriptive and presentation purposes, we have broken them into geographical areas, using the names of the principal historic silver mines in each area. The main Guazapares structure has a strike length of approximately 8 kilometers

and hosts the Santa Clara, La Union, San Jose, San Luis, San Antonio, El Carmen, La Veronica and Montecristo exploration areas. En echelon quartz veins, quartz-pyrite veinlet stockworks and silicified hydrothermal breccia bodies, most of which host significant gold, silver, lead and zinc mineralization, are developed within this structural zone. The zone is broken into segments by small-displacement NE trending faults. The San Miguel exploration area lies on a parallel structure approximately 3 km west of the La Veronica area. This structure referred to as the Batosegachic Fault and it hosts the San Miguel Vein.

Between the Guazapares structure and the Batosegachic Fault is a rhyolitic to rhyodacitic flow-dome complex, largely contained within the Guazapares concessions recently acquired from Mexoro, but also on several smaller concessions held by Paramount. The Monte Cristo area is at the eastern edge of that flow-dome complex. Most of the known mineralization occurs in a series of east-west, northwest and northeast trending structures within the domes and at their margins. Mineralization is primarily gold with lesser silver values. A strong northeast structural fabric may represent a deep seated structure controlling the localization of the dome complex as a whole. Localization of some of the mineralization there may be controlled by northwest trending structures with left lateral movement, sub-parallel to the Guazapares and Batosegachic faults.

Pre-1956 mining exploited near-surface, oxidized portions of the mineralized structures, producing silver and minor gold. On a district scale, the lithology, structural setting and controls of mineralization appear strongly analogous to other deposits in the general area, particularly to those at the Palmarejo deposit, approximately 15 kilometers to the west, and to Dolores, 200 kilometers on trend to the north-northwest.

#### SAN MIGUEL PROJECT – PRINCIPAL CONCESSIONS AND DRILLING AREAS



### Santa Clara - La Union – Area Geology

There are three principal geologic units mapped in the 2.5 kilometer long area stretching from the little-explored Santa Clara area in the south to San Luis in the centre of the Guazapares district. A north-south striking, west dipping andesitic basement composed of andesitic flows and volcanoclastic rocks with a few dacitic to rhyolitic tuff horizons underlies the western portions of the area. Total thickness is unknown. To the east, a package of lithic to quartzo-feldspathic tuffs discordantly overlies the andesites and displays a north-northeast trending pseudo-stratification with dips of 15 to 40 degrees to the northwest. The fault zone separating the western andesites and the eastern tuffs is characterized by a sharp eastern margin. West of this fault plane the fault zone is complex with fault splits, and mineralized fractures particularly in the San Jose area. A dacitic dike outcrops intermittently along the contact between these two units, striking approximately N30W and dipping 50 to 70 degrees east.

Enveloping the fault zone is a widespread zone of propylitic alteration characterized by chloritic and argillic altered rock with locally intense silicification and associated adularia. Irregular zones of sulphide-bearing silicified breccias, quartz veins and quartz-pyrite veinlet stockworks occur within the alteration envelope. A few orientation measurements of major veins and rock fabric indicate that all the observed veins strike northwest and southeast, and dip at high angles to the east and west. Limited drilling indicates the predominant mineralized structure dips to the east. The principal sulphide minerals were pyrite, galena, sphalerite, and argentite. The vein swarms and altered poly-phase breccia bodies are cut by and surrounded by stockworks of finegrained quartz-sulphide veinlets. In the La Union area, north of the La Union mine, the stockwork zone is as much as 100 meters wide along a segment of the fault zone where it curves gently to the east.

Please note: the Santa Clara-La Union areas do not contain any known reserves and any planned drilling program is exploratory in nature.

### San Miguel Area

San Miguel, Elyca and Empalme are the westernmost concessions within the San Miguel Project. The area is characterized by the southeast striking Batosegachic Fault zone that separates andesite and locally interbedded andesite tuff to the southwest from a felsic sequence of bedded tuffs to the northeast. Its strike is subparallel to the Guazapares structure, which hosts the mineralization at the rest of the San Miguel concessions 3 km to the east.

Mineralized structures at San Miguel generally strike northwest and southeast and dip steeply northeast and southwest at angles greater than 60 degrees; most dip at 70 degrees or greater. Throughout the San Miguel concession, the Batosegachic Fault strikes approximately 142 degrees and consistently dips to the southwest at approximately 80 degrees. Within the San Miguel concession it is mineralized with quartz, to at least some degree, all along its strike. The area contains historic underground workings with significant past production and numerous prospect pits. Most of the significant workings appear to be along a single quartz vein that occupies the Batosegachic Fault within the San Miguel concession. Almost all of the quartz veins occur at the footwall contact of the southwest dipping Batosegachic Fault, and within the footwall felsic tuff sequence. Other than the presence of quartz veins and areas of stockwork quartz, there is no obvious alteration of the felsic tuff sequence. Only one significant quartz vein occurs in the hangingwall andesite, and where there are quartz veins present along the Batosegachic Fault, the andesite is altered for 100 meters or more into the hangingwall. SWIR spectrometer analysis of drill core exhibits an alteration zonation that transitions from an outer propylitic alteration to illite adjacent to the fault structure, to kaolinite alteration in the quartz veined core of the San Miguel fault. Alteration of the andesite at surface is characterized by pervasive yellow discoloration, relatively low intact rock strength (hydrothermally altered andesite has a rock hardness of 2-3, whereas nearby unaltered andesite has a rock hardness of 4-6, and locally abundant red, brown, yellow, or black oxides along fractures.

Throughout the mineralized section of the Batosegachic Fault, the strike has local variations, forming S and Z bends. Vein thickness and character may be related to these bends. In general, where the fault makes an S bend, the vein is relatively thin within the center section of the bend. However, where the fault makes a Z bend, the vein is relatively thicker within the center section of the bend. Paramount has also interpreted clay mineralogy from drill core to indicate that a center of hydrothermal alteration occurs within one of these fault segments, and this is the area of best mineralization in drilling. In general, many of the historic workings are located in the center portions of Z bends. Based on physical characteristics of the fault structure and enclosed veins, we believe that the Batosegachic Fault is a right-lateral strike slip fault.

In the San Miguel area, the variation in bedding orientations indicates the presence of folds within the hangingwall and footwall strata. However, the density of bedding measurements collected is not great enough to define the geometry of individual folds.

#### Monte Cristo Area Geology

The Monte Cristo area is at the northern end of the Guazapares mineralized structure, at its intersection with a deep-seated northeast trending structure, which may control the emplacement of the flow-dome complex exposed at Monte Cristo and on the Mexoro property immediately to the west. It is dominated by a strong NNW structure with and associated silicified breccia zone, with a strong quartz vein at the south end. This crosscuts slightly earlier northeast trending veins and silicification.

The veins and silicification are hosted by a dacite dome in the south, a feldspar porphyry and a slightly younger felsic clastic sequence in the north. Gold-silver mineralization was mined a century ago from the Sangre de Cristo vein system in the southeast and to a lesser extent from the smaller Monte Cristo veins in the west. The felsic clastic unit has been interpreted as fine to coarse volcanoclastic debris which filled a rhombic basin with structurally controlled active margins. Several pulses of gold bearing silica-rich fluids migrated up the basin margins and deposited sinter layers within the basin and cemented the NNW and ENE trending basin margin faults and more permeable coarse clastic units with silica. It is these silica-rich bounding faults, silicified permeable units and sub-horizontal sinter layers which are the exploration targets.

Please note: The Monte Cristo area does not contain any known reserves and any planned drilling program is exploratory in nature.

#### San Antonio Area Geology

The geology at the San Antonio area is similar to La Union-San Jose-San Luis areas. Host rocks include andesites and dacitic tuffs. Outcrops are very sparse. The tuffaceous units are softer, exhibit a more granular sandy texture and do not crop out well. Dacite dikes are rare in comparison to the La Union and San Jose areas. The general strike of the principal mineralized structures and breccia bodies is N30W, with some north-trending step-over structures connecting them. A stockwork zone of varying intensity generally occupies the areas between the major veins.

San Antonio has been divided into a north and south area based on a change in dip direction of the large mineralized structures mapped on surface and interpreted in diamond drill holes. The mineralized structures dip to the east at San Antonio South and to the west at San Antonio North. The abundance of silicified structures is apparently less at San Antonio South relative to San Antonio North. San Antonio and El Carmen areas correlate to the San Antonio South and San Antonio North areas respectively.

The geological boundary between San Antonio South and the San Luis area to the south is at UTM 3032000 N and corresponds to the point where the single mineralized San Luis structure splays northward (Sims, 2008). At San Antonio South, most major mineralized structures strike northwest and southeast, and dip at more than 60 degrees to the northeast. Average dip angles at San Antonio South area are generally much greater than vein dip angles at San Antonio North and there are relatively very few east and west striking structures. There is however, a great abundance of veined structures striking between north and 20 degrees east of north. There are no tuff outcrops in the San Antonio South area.

The boundary between San Antonio North and South is at approximately 3032350 N and corresponds to the location where the predominant mineralized structures change dip direction from east at San Antonio South to west at San Antonio North.



The San Antonio North area is anomalous in that the fault zone that hosts the mineralized structures is approximately 300 meters wide. Major structures that host quartz veins generally strike about 145 degrees and dip to the west at variable angles. Silicified zones range in width from 5 to 35 meters and are separated by unsilicified zones. Silicification is the predominant alteration type observed.

The greatest concentration of vein strike orientations at San Antonio North ranges between 120 and 180 degrees and dip 10 to 90 degrees southwest (predominantly 30 to 60 degrees). A strike-parallel set of veins dips at similar angles to the northeast. Another set of veins strikes east and west, with predominantly high angle dips to the north and south. A final vein set strikes northeast and southwest with high angle dips to the northwest and southeast.

Please note: The San Antonio area does not contain any known reserves and any planned drilling program is exploratory in nature.

#### La Veronica

The geological boundary between San Antonio North and the La Veronica area to the north corresponds to another reversal in dip direction of the major mineralized structure(s). Within the La Veronica area, drill data indicates the mineralized fault consistently dips to the east. The exact location of the change in dip direction has not yet been identified.

The La Veronica vein system strikes about N30W and dips steeply to the northeast. It occupies the faulted contact between andesitic units to the east and rhyolitic tuff units to the west. Drill logs note rhyodacite dikes locally occupying the La Veronica structure. Like the San Jose-La Union area to the south, the "vein" is normally a stockwork of quartz-pyrite veinlets and localized hydrothermal breccias, rather than massive quartz veins. Wall rock alteration is largely propylitic with some argillization and silicification. In the northern quarter of the vein's strike length, it is a relatively simple single plane, whereas in the rest of its length it is more of a braided fault zone with at least two splits. Surface exposures of this vein are poor. Much of the geologic data was derived from mapping of 20 trenches and logging of drill core from 28 drill holes. In late 2010, Paramount commenced a small drill program at La Veronica. Drill units are pending.

Please note: The La Veronica area does not contain any known reserves and any planned drilling program is exploratory in nature.

### MINERALIZATION

Our exploration efforts to date have concentrated on segments of the Guazapares Fault structure, over a seven-kilometer strike-length between the Santa Clara and Montecristo areas and most recently on the San Miguel Vein hosted by the sub-parallel Batosegachic Fault structure approximately 3 km west of the Guazapares structure. The disclosure below deals primarily with mineralization associated with those segments of the structures. It also presents for the first time the mineralization explored by Mexoro on their Guazapares concession group, and target areas developed on the Garibaldi/Minera Gamma concession group, both recently acquired by Paramount.

The major structures that host the mineralized veins, stockworks and breccias at the Project generally occur in the Lower Volcanic Complex at or near the contact between andesitic and felsic sequences or within the more competent and brittle felsic sequences that allowed for development of through-going fractures. Interpreted dilational portions of the fault zones, such as flexures, link veins in fault jogs, or stockwork tension veins, appear at least locally to preferentially accommodate the development of mineralized shoots or clavos.



The San Miguel mineral deposits are multi-phase vein deposits generated by several generations of crosscutting veins, veinlets, breccias and related hydrothermal alteration. Alteration ranges from peripheral propylitization to argillic alteration to intense silicification, often with adularia development. The mineralization is physically expressed as quartz vein stockworks, silicified hydrothermal breccias, and vuggy, quartz-filled expansion breccias. Amethystine quartz is locally present. At similar deposits, such as those at nearby Palmarejo, there are generally several stages of gold-silver and or base metal mineralization. Macroscopic observations of drill core and preliminary observations from ore microscopy indicate that more than one mineralizing event may also be present in the various mineral occurrences at the San Miguel Project.

Three styles of gold and silver mineralization occur in the project area:

1. High-grade vein systems (HG) trending NNW Silver rich (100:1 Ag: Au)

Forms most of the historic mining in the district  
Most of initial resource estimate defined in this style  
Extends both laterally and at depth  
Au increases with depth (to 20: 1 Ag: Au or less)

2. Sheeted Vein Complexes (SVn)

Broad zones of quartz veins (up to 600m wide and 2,000m on strike)  
Similar to the HG style with same orientation, but much wider zones allow for bulk mining methods  
Silver and base metals shallow, higher gold potential at depth

3. Volcanic Dome Complexes (VDC)

Broad zones and on the margins and within the domes  
Igneous bodies controlled by intersection of NNW and E-W structures  
Significant volumes of low grade, low cost gold mineralization with "low" silver to gold ratios (20:1 Ag: Au)  
Alteration (thought to be hypogene hematite), zoning, and mineralization support a separate and later mineralizing event  
Forms most of the "bulk gold" targets

We have not disclosed resource estimates or assay result disclosure pursuant to Canadian National Institute 43-101 as the resource estimates have not demonstrated either indicated or probable reserves and are not provided herein.

#### La Union Area Mineralization

An area of historic shallow workings is centered approximately 400 meters south of the La Union mine workings. We excavated three trenches totaling 85 meters in this area and twenty-one core holes were drilled for a total of 3,914 meters. Trenching intersected modest intervals of moderate silver and gold grades. The most significant trench intercept in this area (ZLU-7) was 22.6 meters of 0.40 g/t Au and 89 g/t Ag.

#### San Miguel-Elyca-Empalme Area Mineralization

A complex quartz vein structure referred to as the San Miguel vein is exposed over a strike length of at least a kilometer in the San Miguel, Elyca and Empalme concessions immediately north of the small village of Batosegachic. A near-surface section of the vein about 100 meters long, several meters wide and 15 meters deep was mined in the late 1970's and shipped to the El Paso smelter as precious metal-bearing flux. There is no available record of the grade.

The San Miguel vein structure generally comprises a multi-phase quartz vein and quartz cemented vein breccia with local vugs. Colloform banding is common. Late amethystine quartz is noted locally. Pyrite, galena and sphalerite occur as colloform bands and as crosscutting fracture filling. Several similar, but narrower, sub-parallel, often well-mineralized veins are present in the footwall felsic volcanic rocks.

The bulk of the gold and silver ounces in the San Miguel vein are contained in Clavo 99. In addition, there is a coherent core zone, approximately 650 meters long and 200 meters wide that hugs the upper right clavo margin between holes SM-44 and SM-3. The deepest and southernmost intercepts in the clavo are close to the property boundary.

#### Monte Cristo Area Mineralization

Prior to the 2009 work 11 SC holes had been drilled on the Sangre de Cristo concession immediately south of the Monte Cristo concessions, and 3 holes on the Monte Cristo concession MC holes). During July and August of 2009 an additional 9 MC holes (MC-3 to MC-11) were drilled, for a 2009 total of 2691 meters of core. These were designed to test the silicified faulted margins of the structural basin at Monte Cristo. Gold and silver mineralization is present in silicified fault breccias, in silicified permeable volcanic rock units adjacent the fault conduits and in stratiform siliceous sinter bodies. The silicified hydrothermal breccias often contain very angular fragments in a matrix of rock flour and chalcedonic silica with very fine disseminated pyrite. Results to date indicate that an ENE trending structure contains gold concentrations at shallow depths and represents a new style of gold occurrence in the district. NNW trending structures on the target seem to be similar to the San Miguel and La Union veins with silver and base metal concentration at shallow levels and gold potential at greater depth.

#### Guazapares Area Mineralization

The known mineralization at the Guazapares project area is associated with a series of chalcedonic veins which cut the complex sequence of rhyolitic to dacitic flows, domes, breccias and dikes exposed there. The primary orientations of the vein sets are northeasterly, the same as one vein set at Monte Cristo; N30W, sub-parallel to the San Miguel vein and principal Monte Cristo vein set, and east-west – a vein set not commonly observed elsewhere in the district. A linear topographic feature passes between the San Antonio and San Francisco targets, from close to hole GU-24 to the Montana de Oro Target, near holes GU-23. This is interpreted to represent a major N30W fault which may be a significant control on mineralization in the area. Left lateral movement on such a fault would generate the east-west



trending dilational fractures which are occupied by several mineralized veins. This movement would also generate the other N30W trending vein sets sub-parallel to this fault.

Very limited exposures in this erosional low area display silicified hydrothermal breccias and good gold values in the few holes in the immediate area. The rhyodacite ridge extending between the San Antonio and Montana de Oro targets is held up by a N30W trending stockwork of chalcedonic veining and weak silicification which is strongly anomalous in gold and silver. This N30W controlling structure was recognized near the end of the drilling program and was not targeted directly in the last phase of drilling.

Veining has been developed both within the domes and along their margins. Chalcedony is the predominant vein type, but very fine grained to sugary quartz is also present and fine grained drusy cavities are present locally. The primary alteration types are silicification near the veins and locally pervasively present in breccia zones. Argillic alteration is widespread adjacent to the veining.

The previous owner conducted a systematic rock chip sampling program of all existing workings (where accessible) and surface exposures of veining and silicification.

They also completed 31 core holes for a total of 4,622 meters in its Guazapares project, largely in the San Antonio, San Francisco and El Cantilito targets. Most holes were relatively short (149 meters on average), and directed below altered and mineralized surface exposures and small old artisanal workings at relatively shallow depths

#### Temoris Project Area Mineralization

As the majority of the claims are in area which the Company only recently acquired, there has not yet been a great deal of exploration by Paramount. There are seven target areas which were identified and explored by the previous owner over the last two years. The Company's staff has reviewed this data and examined and sampled all of the seven target areas in the field. Exploration targets have been developed on many of them and drilling is planned on some of them in 2011.

The targeted areas are:

Don Ese, El Ojito, La Tinaja - La Veronica, La Verde-Los Llanos, Temoris, Palmarito and Piedra Bola. In late 2010, Paramount began initial drill testing at the Don Ese target with assay results pending.

#### EXPLORATION

In July 2005 the San Miguel group of concessions became available as a joint venture from Tara Gold. After a compilation of historic data and initial reconnaissance of the properties, the first targets to be tested were at the Constituyentes 1917 and Montecristo concessions. Three holes tested the Montecristo structure(s) in April and May 2006. Three holes were then drilled in an unsuccessful attempt to confirm historic drill results at a suggested mineralized body called La Blanca on the Constituyentes 1917 concession.

Our ongoing exploration program in the immediate Guazapares area began in April, 2006. The initial phase of the program consisted of an integrated program of surface sampling, geologic mapping, mapping/sampling of accessible underground workings, and trenching. A follow-up diamond drilling program began in the San Luis – San Jose - La Union area and then proceeded to the north. In the fall of 2007 drilling began on the San Miguel vein approximately 3 kilometers west of the Guazapares structure.

When we began exploration at the San Miguel Project, numerous historic surface and underground workings presented immediate drill targets and therefore drilling began almost immediately and has continued to this date. Local detailed mapping, geochemical sampling and trench mapping and sampling was initially conducted to support the drill program. General district/property scale geological mapping, geochemical sampling and geophysical surveys were conducted as time and personnel availability permitted.

### Geologic Mapping

Exploration personnel availability was limited when the San Miguel project began, therefore mapping and surface geochemical sampling was generally restricted to the immediate area of the target areas to be drilled and was conducted at a scale of 1:1000. Trenching and trench mapping and sampling would then be conducted in areas of poor outcrop exposure. Accessible underground workings were also mapped and channel sampled. Most of the old workings would have required extensive rehabilitation work to permit safe access and therefore have not been entered nor sampled. The most extensive of the accessible workings is the 300 level of the San Luis mine. Upon completion of trench mapping and sampling and receipt of geochemical and assay results the target area was drilled.

While one target area was being drilled, the mapping, trenching and sampling proceeded to the next target area to be drilled. Mapping, trenching and sampling proceeded in the same order as the drilling sequence: Montecristo, La Blanca, San Luis, San Jose, La Union, San Antonio, La Veronica, Sangre de Cristo, Santa Clara and San Miguel. Paramount recognized the need to conduct broader scale geological mapping of the Project area and therefore brought in four geologists in the summer of 2007 to map the entire district at a scale of 1:5000. Approximately two months of field time was spent over a four-month period mapping more than 15 square kilometers (1,500 hectares) of moderate to rugged terrain. In addition, the detailed 1:1000 scale maps of the target were updated and integrated based on the geological knowledge gained from the district scale mapping. A comprehensive in-house report was produced of the district-scale mapping program. The district mapping and update of detailed areas provided Paramount a better understanding of the district-wide geologic and structural setting and the controls on mineralization.

### Trenching

Trenching was an integral part of the exploration program at the San Miguel Project. In many parts of the eastern portion of the Project area, targeted mineralized zones carry only volumetrically minor quartz as veinlet networks in sheared zones in propylitically altered rocks. Outcrop exposures are therefore generally poor, due to the altered and easily eroded nature of the wall rocks around the veins. Veins can often be followed by quartz float trains and by the location of historic prospect pits but many potentially interesting areas are covered by colluvium and organic debris. A thick mat of pine needles covers many of the hilltops containing the mineralized zones. In parts of the La Veronica area, the trace of the vein passed under cornfields. In order to trace and sample the mineralized structures and the wallrocks in sufficient detail, it was necessary to excavate trenches. Trenching, which preceded diamond drilling along the Guazapares structure, was generally completed about 2 months ahead of the drilling in a given area.

The trenching contractor was Excavadores Perez of Guadalupe Victoria, state of Durango. A tire-mounted hydraulic backhoe with a 24 inch wide bucket was utilized and trenches were excavated approximately perpendicular to the structures (roughly east-west). Excavation length was dependant on suspected width of mineralization, topography and local ground conditions. Trenches were dug as deep as the bedrock hardness would allow, generally to a depth of

1.5 to 2.5 meters and rarely to 3.5 meters. The end points and inflection points of all trenches were surveyed. All trenches were mapped for lithology, alteration, structural controls of mineralization and oxidation and were sampled in detail. Our geologists usually mapped the north wall as a standard procedure and because of the better light conditions. Areas to be sampled were marked by the geologist. Samples were collected from near the base of the trench wall. For safety, trenches were back-filled shortly after mapping and sampling was completed. Trench mapping and sampling has been a useful exploration tool at the San Miguel project. It is anticipated that trenching will be utilized again at the Project to follow-up geophysical results in areas that have limited outcrop exposure.

## Drilling

## Exploration Program and Budget

The Company's exploration program and budget will be managed by its in-house technical staff. It will be funded by the Company's cash on hand and will total approximately \$6.3million dollars for the 2010 calendar year. The exploration activities and budgeted amounts per activity are as follows:

Activity	Timeline	Approximate Budget
Establish the limits of the project concessions	January 2010	\$30,000
Complete internal resource estimation on existing resources	February 2010 to March 2010	\$500,000
Complete diamond drilling target test evaluation	January 2010 to November 2010	\$2,000,000
Complete reverse circulation delineation drilling	April 2010 to November 2010	\$3,500,000
Complete resource estimation and qualifying report	July 2010 to November 2010	\$275,000

## DRILLING

Drilling at the San Miguel Project began in late April of 2006, at the Montecristo and La Blanca target areas at the north end of the Guazapares structural trend. In June 2006 the main portion of the program began at the San Luis area in the center of the Guazapares trend on the outskirts of the village of San Jose, followed by the La Union, San Jose, San Antonio, La Veronica and Sangre de Cristo areas through 2007. Drilling then switched to the San Miguel vein target in the fall of 2007 and has focused on this area until July 2008 when additional drilling was done at La Union. Drilling in 2009 began in July with 8 holes at Monte Cristo, followed by three holes at San Antonio (in progress as this report is written). Layne de Mexico, S.A. de C.V. has been the sole drill contractor for all drilling at the Project. Paramount's México country manager Armando Valtierra and San Miguel project manager Javier Martinez have supervised the drill program.

From April 23, 2006 to August 31, 2008 we completed 213 diamond drill holes totaling 47559.7 meters as part of a planned 50,000 meter drilling program at the San Miguel Project. An additional 3786.5 meters were drilled between mid July and early September 2009. Diamond core drilling to date has been HQ size only (63.5 millimeters or 2.5 inches diameter). HQ core was chosen to provide a large sample and to allow for reduction in core size if necessary in a difficult drill hole. With the exception of a few holes, all were completed to their planned depths. Overall core recovery has been excellent, averaging nearly 100%.

All diamond drilling in 2006 was completed with Layne rig #731, an older skid-mounted, Atlas Copco CS-1000 drill rig capable of drilling HQ to a depth of 400m. The rig operated only one 12-hour shift per day, seven days per week.

Beginning 2007, the skid-mounted rig was replaced by a newer, more efficient track-mounted Atlas Copco CS-1500 diamond drill rig and ancillary support equipment capable of drilling HQ to 700m depth (rig #756). The core production rate was improved over the older skid-mounted CS-1000 rig. The rig switched from one 12-hour shift per day to two 12-hour shifts per day, seven days per week in May 2007 to increase core production. A second track-mounted Atlas Copco CS-1500 diamond drill rig and ancillary support equipment capable of drilling HQ core to a depth of 700m (rig #763) was added in late September 2007.

With the addition of the second rig, assay results began to lag as much as two months behind the drilling. This was a reflection of the backlog of samples experienced at assay laboratories globally from mid 2007 to early 2008; laboratory capacities were exceeded due to the sheer volume of samples submitted by exploration companies worldwide. Paramount attempted to counter the delay in assay results by extending the 2007 Christmas drill break to mid January 2008 and then resumed drilling with only one rig (#763). Paramount also worked with Chemex's lab managers to streamline and improve assay turnaround time.

Due to improvements to our assay flowsheet and a general improvement globally in laboratory backlogs, we were again able to add a second diamond drill rig in April 2008. The newest drill is an Atlas Copco CS-1500 rig mounted on rubber tired "buggy" carrier with ancillary support equipment and also operates with two 12-hour shifts per day, seven days per week.

Drill access trails and drill pads were constructed by contractor, Matecsa of Chihuahua city, Chihuahua state. Drill water has been supplied by water truck from nearby seasonally available streams and the San Luis mine workings. Beginning in March 2008, a Paramount test RC hole for a water well at San Luis was cased and became a temporary source of drilling water during the spring dry season.

The drill hole collar coordinates and elevations are initially located using handheld GPS receivers in UTM coordinates (NAD27 Mexico datum). Upon completion of drill holes, the collars are re-surveyed by survey contractor Lopez Olivas and Associates of Hermosillo, Sonora utilizing a high-accuracy DGPS survey instrument. Layne completes

down-hole directional surveys on all diamond drill holes at approximately 50m intervals. Initial holes were surveyed using a single-shot camera system. Downhole surveys are now completed with a Reflex single shot digital survey tool.

Core is retrieved from the drill string using conventional wireline techniques. Core is removed from the core tube by Layne drilling personnel and carefully placed in plastic core boxes. Filled core boxes are removed from the drill site 3-times daily (early morning, mid-afternoon and evening) by Paramount personnel and brought to a secure core logging and sampling facility in Guazapares. At the facility, the core is cleaned and the broken core pieces reassembled to a best fit. For logging and sample interval marking, the core is laid out on workbenches. A technician, under supervision of the drill geologist, completes a hardcopy geotechnical log of the core including recovery and RQD. The drill geologist then logs the core and creates a hardcopy record including a graphic log of stratigraphy, vein orientation, and mineralized zones and a detailed descriptive log including rock type, alteration, structure, mineralization and vein density/percentage. The core is photographed digitally.

Following sampling, the core is analyzed with an ASD FieldSpec 3 NIR spectrometer to identify alteration mineralogy.

Paramount inputs the drill-hole collar, survey, geology, assay and spectrometry data into a project Microsoft Access database. Assay data has been manually input and merged into a sample "from-to" file and then inserted into the database.

In mid July 2009 drilling resumed at the San Miguel project and has continued since. We intend to complete the drill data in a summary from technical report 2011.

#### San Francisco area:

The San Francisco area is an important discovery with bulk-mineable resource potential. Mineralization at South San Francisco is shaped by a favorable combination of permissive volcanic and intrusive rock units along with structural intersections which together provide several controls for concentrating gold. Intermediate to acidic composition volcanic rocks and intermediate composition intrusions are host to the gold occurrences discovered at South San Francisco. These rocks are in contact with acidic composition shallow intrusive or extrusive dome rocks that have little gold in them but have served to create an intensive fracture system in the surrounding rocks. Structural intersections between northwest trending and east-west trending faults have also created an extensive fracture system that localized gold. Superimposing these different phases of rock preparation has created a mineralized zone extending about 400 meters in an east-west direction and more than 750 meters in a northwest direction.

Ongoing research at South San Francisco has identified several distinguishing characteristics that differentiate its style of gold occurrence from deposits elsewhere in the Palmarejo District. Hydrothermal alteration in the South San Francisco area has produced a more subtle surface expression and unique clay mineralogy distinguishing it from the vein-associated deposits like Palmarejo and San Miguel. In general, the precious metals are disbursed in the volcanic rocks in association with narrow fractures and quartz stockwork veins, rather than within well-defined quartz veins. The vertical zonation of quartz vein systems typical of the Palmarejo District are not in evidence at South San Francisco where gold concentrations are recognized at very shallow depths with less silver. South San Francisco type targets seem to be high level gold-rich systems geologically separate from the vertically zoned silver-gold systems previously identified in the Palmarejo District. Recent results from the South San Francisco target area include:



## South San Francisco Target Area:

Drill Hole Number	Drill Hole Length	From (meters)	To (meters)	Length (meters)	Au g/t	Ag g/t
SF-09-01	362.75	116.00	124.70	8.70	1.01	38.4
		151.80	163.60	11.80	2.10	9.4
SF-09-02	356.65	109.00	112.20	3.20	1.01	65.3
		157.00	188.00	31.00	1.35	7.2
GU-30*	194.00	51.30	54.40	3.10	1.27	16.8
		103.60	106.60	3.00	2.38	22.4
		135.60	190.80	55.20	0.74	9.5

Diamond drill hole GU-30 was completed by a previous operator and re-split and sampled by Paramount, results are Paramount re-assay results.

Drill Hole	From (meters)	To (meters)	Length (meters)	Au g/t	Ag g/t	Target Style
RCSF-10-01	50.3	65.5	15.2	0.56	17.0	Flat-lying
	105.2	134.1	28.9	1.22	13.3	Flat-lying
RCSF-10-02	13.7	21.3	7.6	0.62	3.4	Flat-lying
	140.2	160.0	19.8	0.57	2.2	Flat-lying
	179.8	224.0	44.2	0.51	7.0	
RCSF-10-04	179.8	185.9	6.1	0.70	59.0	Disseminated
	199.6	242.3	42.7	1.09	5.6	Disseminated
including	225.6	237.7	12.1	2.40	7.1	Structural zone
RCSF-10-05	12.2	18.3	6.1	0.62	90.7	
	51.8	61.0	9.2	0.69	11.2	Flat-lying
	167.6	216.4	48.8	1.56	5.9	Flat-lying

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Drill Hole	Drill Hole Type	From (meters)	To (meters)	Length (meters)	Au g/t	Ag g/t
RCSF-10-06	Reverse circulation	141.7	147.8	6.1	0.85	19.6
		182.9	185.9	3.0	1.33	52.8
		224.0	272.8	48.8	0.91	5.6
		300.2	306.3	6.1	1.08	2.4
RCSF-10-7	Reverse circulation	73.2	102.1	28.9	1.74	29.8
		176.8	192.0	15.2	1.49	2.6
RCSF-10-08	Reverse circulation	25.9	36.6	10.7	0.98	19.7
		140.2	182.9	42.7	1.48	7.4
RCSF-10-09	Reverse circulation	192.0	199.6	7.6	0.43	3.3
RCSF-10-10	Reverse circulation	111.3	115.8	4.5	1.02	10.5
		140.2	153.9	13.7	1.36	9.9
		167.6	176.8	9.2	1.43	5.1
		195.1	198.1	3.0	1.30	12.7
RCSF-10-11	Reverse circulation	153.9	169.2	15.3	2.05	8.7
RCSF-10-12	Reverse circulation	45.7	54.9	9.2	1.33	27.7
		83.8	111.3	27.5	1.73	10.9
		138.7	153.9	15.2	0.55	3.2
		176.8	190.5	13.7	1.07	0.8
RCSF-10-13	Reverse circulation	9.1	13.7	4.6	1.11	10.2
		62.5	74.7	12.2	1.76	42.4
RCSF-10-14	Reverse circulation	109.7	112.8	3.1	1.03	5.3
SF-10-11	CORE	19.8	29.3	9.5	0.71	5.2
		82.8	88.9	6.1	8.78	36.4
SF-10-12	CORE	36.1	51.0	14.9	0.97	23.8
SF-10-15	CORE	20.0	24.5	4.5	0.90	9.5
		108.8	136.9		28.1	1.26
SF-10-16	CORE	No significant results				

The true width of these intersections is unknown at this time due to lack of certainty as to the orientation of the structures. Additional drilling will be required to determine true widths.

Exploration drilling in the northern part of the San Francisco area has discovered a second bulk-mineable target. This North Target consists of at least one pyretic breccia pipe (hydrothermal breccia pipe) of unknown dimensions and disseminated gold concentration in the surrounding country rock. Core drilling is currently being used to better define the geometry of this target in advance of aggressive definition drilling. This blind target zone contains bonanza gold grades in the breccia pipe. Surrounding rock represents the collapsed upper part of a volcanic complex and disseminated gold concentrations have been encountered in these rocks. Results include:

North San Francisco Target Area:

Drill Hole	From (meters)	To (meters)	Length (meters)	Au g/t	Ag g/t	Target Style
SF-10-05	125.4	146.1	20.7	6.26	813.6	Breccia pipe
including	132.5	139.7	7.2	17.22	2,256.3	
	161.1	166.4	5.3	0.81	55.1	Disseminated
	184.8	192.0	7.2	0.61	28.8	Disseminated
	471.9	483.2	11.3	1.17	7.5	NNE vein
SF-10-06	109.0	127.3	18.3	1.31	16.7	Disseminated

The true width of these intersections is unknown at this time due to lack of certainty as to the orientation of the structures. Additional drilling will be required to determine true widths.

Monte Cristo area.

Monte Cristo is a volcanic basin on the margin of a volcanic dome complex with potential for larger stratigraphic gold occurrences in the basin as well as richer deposits along north-northwest and east-west trending structures. Recent drilling on the nearby San Miguel deposit has demonstrated that these north-northwest trending structures host better gold grades at depth. The original Monte Cristo target area of about 300 meters by 400 meters has been expanded to more than 700 meters by 1,000 meters, reflecting the new drill results, surface mapping and integration of the Mexoro drill data.

Results of Paramount Gold's recent drilling at Monte Cristo are as follows:

Hole No.	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t
MC-09-04	120.5	149.5	29.0	0.69	106.1
	incl. 120.5	133.0	12.5	1.52	109.9
MC-09-05	No significant assay intervals				
MC-09-06	170.9	175.3	4.4	1.14	4.5
	187.5	223.5	36.0	0.05	52.2
MC-09-07	261.5	283.0	21.5	0.09	35.6
	295.7	298.7 TD	3.0	3.71	4.0
MC-09-08	No significant assay intervals				
MC-09-09	No significant assay intervals				
MC-09-10	236.2	240.7	4.5	0.03	36.7
MC-09-11	No significant assay intervals				

The true width of these intersections is unknown at this time due to lack of certainty as to the orientation of the structures. Additional drilling will be required to determine true widths.

#### SAMPLING METHOD AND APPROACH

We operate a secure rented core logging and sampling facility in the village of Guazapares. After the core is re-aligned, cleaned and logged, the geologist selects the sample intervals and marks the sample cut line on the core. Sample intervals are generally based on geologic contacts, alteration and mineralization. The sample interval is commonly one meter in length in uniform rocks. In what appear to be mineralized zones, sample breaks are made at significant changes, such as vein or breccia margins, commonly resulting in sample lengths of less than one meter. Maximum sample length is 1.5 meters. Sample intervals are recorded on the geologic log and later input into an Excell database. Before December 2006 the core was split using a mechanical splitter. Since that time the core has been sawn using two Norton Clipper BBL VII water-cooled masonry saws with 20-inch diamond blades. A third saw is maintained as a spare.

Core is cut in half with one half placed in a cloth sample bag and labeled, the other half is returned to the box and archived for future reference. The entire washing, aligning, and splitting process is done under the supervision of Paramount's geologists. All bagged samples are in the possession of Paramount's staff until delivered by Paramount personnel the sample preparation facility of Chemex Laboratory in Chihuahua City. After sampling, all core boxes are delivered to a secure rented storage facility in Temoris.

## SAMPLE PREPARATION, ANALYSES AND SECURITY

All samples (rock and core) are bagged and sealed once collected. Paramount maintains possession of the samples until delivery to the laboratory. Samples are delivered on a daily basis to Paramount's locked facility in Guazapares for temporary storage. Samples are then placed in rice sacks and sealed. When a sufficient quantity has been collected, generally on a weekly basis, samples are delivered by Paramount vehicle to the ALS-Chemex sample preparation facility in Chihuahua City, Chihuahua. Laboratory pulps and rejects are backhauled to Temoris and stored in a second locked warehouse in Temoris. ALS-Chemex is Paramount's primary analytical laboratory. Activation Laboratories and ACME Laboratories have been retained to conduct check sampling. ALS-Chemex is accredited to international quality standards through the International Organization for Standardization/International Electrotechnical Commission to ISO/IEC 17025/2005 including ISO 9001/2000. It is a Standards Council of Canada Accredited Laboratory (No. 579) and conforms to requirements of CAN-P-1579 (Mineral Analysis) and CAN-P-4E. Paramount has implemented a QA-QC protocol.

### Sample Preparation

Our samples are prepared at the ALS-Chemex sample preparation facility in Chihuahua City, Chihuahua. The Chihuahua facility specializes in the preparation of geological materials utilizing methods ranging from standard preparation to sieving and metallic screen preparation. The facility has a modern array of equipment and is capable of processing as many as 20,000 samples per month. Sample preparation consists of conventional drying if required, in ovens with a temperature in the range of 110-120 C (230-250 F); crushing; splitting and; pulverizing. After drying, the sample is passed through a primary oscillating jaw crusher producing material of 70% passing a 2mm screen (CodeCRU-31). A 250-gram sub-sample is split from the crushed material using a stainless steel riffle splitter (Code SPL-21). This split is then ground to 85% passing 75 microns or better using a ring pulverizer (PUL-31). Prepared sample pulps are shipped from Chihuahua to the ALS-Chemex laboratory in North Vancouver, Canada for analysis.

### Analytical Procedures

The ALS-Chemex North Vancouver laboratory is a full-service, analytical laboratory, specializing in mineral testing for mining and exploration companies. The Vancouver facility is accredited for all laboratory procedures utilized by Paramount. ALS-Chemex quality control procedures are method specific and include duplicate samples, blanks, replicates, reagent / instrument blanks for the individual methods. Paramount has utilized several analytical protocols throughout the drill program at the San Miguel Project. Changes have been made to address concerns brought about during regular reviews of sample QA-QC and project objectives.

## DATA VERIFICATION

### Quality Assurance / Quality Control (QA/QC)

A quality control system has been established at the San Miguel Property. This program includes the routine insertion of certified reference materials (standards), field blanks and duplicates. As the program was established after a considerable number of samples had already been analyzed (~15,000), part of this program was designed to increase the confidence of earlier analyses through a series of external check analyses.

To monitor accuracy, a series of certified reference materials were inserted into the sample stream in the field at a rate of 1 in every 20 samples submitted. Where possible, the grade of the standard was matched to the expected grade of the samples in the batch, with a low grade "geochem" standard, GBM966-2 inserted in greater frequency in lower grade background areas.

The accepted values are established through round robin analyses. The CDN standards were characterized using 10 sample splits submitted to each of 12 laboratories for a total of 120 analyses. The Geostats standard was characterized by analyses by at least 46 laboratories worldwide.

## Precision

Precision was monitored by the insertion of duplicate samples at a rate of 1 in 20 samples submitted. The duplicates alternated between quarter core duplicates and preparation duplicates, split after the initial jaw crushing phase to make two pulps. In addition ALS-Chemex routinely analyses pulp duplicates as part of its internal quality control program.

## Contamination

Contamination is monitored through the routine insertion of field blank material into the sample stream at the rate of 1 in each group of 20 samples submitted. The blank material is local rock believed to be unmineralized. Although results are tracked for all elements, just the silver results are presented here to indicate that there is a natural variation of this material, more pronounced with the ICP41 data with a lower detection limit. Prior to the establishment of a complete quality control program, blanks were routinely added into all of the batches, so this data represents all results going back to 2006. A rough guide for blanks is that samples should have analyses of less than 5x the detection limit. This, of course depends on how low a detection limit you have and the natural background concentration of the blank material. In this case, with a limit based on 5x the gravimetric fire assay detection limit of 5 ppm would be 25 ppm. As can be seen there are a group of analyses above this level in the middle of the plot. These coincide with a large number of analyses indicating that this group of samples likely had a higher background level rather than an indication of contamination.

## External Check Assays

External check analyses provide an independent check of relative bias and accuracy. In a routine quality control program approximately 5% of pulps would be submitted along with standard reference material to a separate lab. Pulps are the preferred sample type as it eliminates much of the sampling error and provides a better comparison of the analyses. As the early San Miguel samples were not submitted with quality control samples other than field blanks, there has been no assurance of accuracy of the results. To remedy this it was decided to submit a random selection of 10% of all samples, as we could not limit the samples based on logged mineralization as this data did not yet exist. This is supplemented by a further selection of 20% from within the logged mineralized zone. In both cases, samples were selected using a random number computer program to avoid any possible selection bias. Results have been received for the first set that was submitted to Activation Labs. An additional selection will be made of the 'post-QC' data once updated files identifying samples within the mineralized zones have been received.

## Metallic Screen Gold Fire Assays

As the gold analyses have a considerable amount of variability as indicated by quarter core duplicates, a limited test of 20 samples by metallic screen fire assays was completed to determine if there was a significant component of coarse gold. A 1000 g coarse crushed sample split is pulverized in its entirety to make a pulp. The pulp is then screened at 100  $\mu\text{m}$  (0.1 mm) or 150 mesh (Tyler). The fine fraction passing through the screen is weighed and 2 X 30 g splits are each fire assayed with an AAS finish. The coarse fraction that has not passed through the screen is weighed and fire assayed in its entirety with a gravimetric finish. The two assays of the fine fraction are averaged together to provide a value of the fine fraction. A weighted average is then calculated using the weight of the coarse fraction and the weight of the fine fraction.

If there is significant coarse gold in the +100  $\mu\text{m}$  fraction there should be a significantly higher gold value for the coarse fraction than the fine fractions. In the case of Paramount's samples, the median of the coarse fraction is actually lower than the fine fractions and the mean, which is influenced by some of the extreme values, is only slightly higher. Using the median values there is a greater difference between the two fine fraction analyses than there is between the coarse fraction and average of fine fraction assays. It is inferred that the gold is actually quite fine grained, with the



same amount reporting to the fine and coarse fractions. If the gold in the coarse fraction is composed of fine grains attached to some of the coarser rock or mineral particles we would get this result. The gold can still be erratically distributed.

## Deposit Geology

Vein-hosted mineralization at the La Union area and the San Miguel area is localized along the fractured steeply dipping contact between two contrasting lithologic units. It forms a planar body, which contains the great majority of the mineralization. Parallel narrower bodies are often present in the immediate footwall and occasionally in the hanging wall of both structures. Due to its planar nature (rather than something more equant in shape), this type of mineralization is well represented by projection to a longitudinal section.

Drilling has shown that the well-mineralized portion of the San Miguel vein is more than a kilometer in strike length and extends to at least 400 meters depth. It has been tested with 61 core holes. At La Union (fewer drill holes) the well-mineralized portion is at least 400 meters long, and at least 125 meters depth. La Union has been tested with 21 core holes. Within both zones mineralization appears relatively consistent in grade and thickness.

## NEVADA EXPLORATIONS

## Summary:

We acquired all of the issued and outstanding shares of common stock of X-Cal Resources in August 2010. 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.

X-Cal Resources (“X-Cal”) is was incorporated in 1984. X-Cal has a wholly owned subsidiary, X-Cal U.S.A. Inc., which was incorporated in the State of Nevada, and a 100% interest in New Sleeper Gold, LLC, a Nevada Limited Liability Company. X-Cal also has a 100% interest in the Sleeper Mining Co. LLC, a Delaware Limited Liability Company.

X-Cal presently holds interests in four gold prospects; 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.

## Sleeper Gold Property

X-Cal acquired 100% interest and operatorship of the Sleeper Gold Project in 2006. In December 2006, the Company acquired 100% title to the York Leased Lands with no royalties pursuant to a buy out agreement with York Mines.

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.

The Sleeper Gold Property is situated within the western, apparently older, part of the Northern Nevada Rift geologic province of Miocene age, along the western flank of the Slumbering Hills. Drilling completed in 2007 has led to a new geologic interpretation of mineralization at Sleeper. Meticulous logging of the drill holes identified cobbles and occasional boulders of altered vesicular basalt supported by a matrix of cryptocrystalline volcanic ash. Further inspection identified other volcanic clasts of various lithologies supported by the ash matrix. A “block in ash” texture had been identified and the wide spread occurrence of the volcanic breccia throughout the Facilities area was referred to as a volcanic unit given the name “debris flow”. The debris flow is the primary host lithology for precious metals mineralization identified at the Facilities area. Thickness of the debris flow ranges from 100 feet (30 m) to 500 feet (150 m). Ash layers that are interbedded within the debris flow are not mineralized but do exhibit advanced argillic alteration. The ash units range in thickness from 5 feet (1.5 m) to 20 feet (6m). The debris flow dips westerly towards the existing open pit and has been identified in core at Westwood. The banded veins with visible gold (electrum) and the higher grade sulphide breccias of Westwood are developed within the debris flow. The lower grade mineralization of Westwood favors the debris flow and is similar to mineralization found at the Facilities area.

We believe that significant exploration opportunities along the west side of the Sleeper pit and to the north should also be investigated with exploration. The Sleeper Gold Project is well prepared for a substantial exploration and development program. Historically, multi-million ounce gold deposits occur in multiples. The objectives of our drill program will be to: (A) explore for new bonanza grade deposits near the historic Sleeper Mine, (B) develop and delineate known areas of mineralization and (C) to combine the results with current potential metal inventory in the mill tailings and heap leach pads.

On November 16, 2009, a Preliminary Economic Assessment of the Sleeper Gold Project was completed by Gary Giroux, P.Eng, Larry Martin, CPG, Larry Kornze, P.Eng and Tom Healy, P.Eng.

## Drilling and Exploration

Exploration priorities for the Sleeper Gold Property are expected to focus on five priority mine scale targets located near the Sleeper Mine. All five of the priority targets occur along three structural corridors parallel to the Sleeper Mine historic mineralization. None of the five targets have been sufficiently tested in prior drill programs. Current and ongoing three-dimensional modeling of geochemical data, additional geophysical interpretations and refinements and detailed compilation on Gemcom and Gocad will help set drilling priorities. However, the targets are well defined at present. Drill testing is to involve angled drill hole fences with overlap at bedrock depths. Drill orientation of these current targets is to be east-west to optimize crossing of key structural trends. Each target should have 2 to 4 drill fences to test the target concepts.

The Company has budgeted a \$3 million exploration program designed to expand and upgrade resources at the Sleeper gold mine. We will also commence a study to determine the feasibility for near-term exploitation of the property's surface mineral inventory of gold in tailings and heaps.

We have budgeted the following amounts in connection with our drilling program:\*

Staffing and related expenses	\$372,000
Core Drilling	
Drilling	1,000,000
Sampling	560,000
Miscellaneous	68,000
	\$1,628,000
Reverse Circulation Drilling	
Drilling	768,000
Sampling	224,000
Miscellaneous	10,000
	\$1,002,000
TOTAL COSTS	\$3,002,000

\*Our budgeted expenses may be reallocated based on drilling results and our available cash reserves

The exploration program has three main objectives: (1) definition drilling to up-grade resources at the West Wood deposit and prepare it for a Preliminary Assessment ('PA') of its economic potential; (2) delineation drilling to expand and evaluate resources at the Facilities deposit for possible inclusion in the PA; and (3) drill evaluation of up to six new priority targets on the property identified by our geological team. The exploration program will focus on expanding and upgrading in-situ resources on two known gold deposits using core and reverse circulation drilling. We will also begin the process of evaluating less explored targets.

### Mill Creek Property

The Mill Creek property comprises a contiguous block of 36 unpatented lode mining claims. The claims total approximately 720 acres and are located in the NW part of the Shoshone Range, 33 kilometres south of Battle Mountain. Access from Battle Mountain is south by paved Highway 305 for 33 km., then eastward on the graded dirt Mill Creek Road for 10 km., and then northeast for 3 Km. on a secondary dirt road to the Property. Mill Creek is located 22 km. northwest of the Pipeline Mine complex of the Cortez Joint Venture (Placer Dome and Kennecott).

The Property is in hilly, grass, sagebrush, juniper and pinyon-covered mountain brush high desert terrain, on the lower western slopes of the Shoshone Range. The climate is favorable for year-round mining, with all supplies and services needed for an exploration program available in the Battle Mountain – Elko area.

The Mill Creek property is an early-stage gold exploration prospect. Prior exploration was limited to surface prospecting for barite and gold-silver deposits, geological mapping, geophysical surveys, soil sampling, geochemical rock chip sampling of altered, fractured and veined bedrock. The main exploration target on the Mill Creek Property will be the Carlin-Style gold-silver ores found in altered, metamorphosed, and locally skarnified Lower Plate carbonate and limy to dolomitic clastic sedimentary rocks of the Devonian Wenban Limestone, Silurian Roberts Mountain Formation, and the Ordovician Hanson Creek Formations. A secondary target host rock type is mafic volcanic rocks of the Upper Plate rock sequence, similar to at Newmont's Twin Creeks Mine. The economic Battle Mountain – Cortez – Eureka Trend gold deposits were deposited as mineralized hydrothermal sedimentary-host replacement horizons and breccia zones along major fault structural zones where alteration and anomalous gold-silver-arsenic-antimony-thallium mineralization are present. Marbles in metamorphic aureoles and iron-rich skarns appear to be favored sites for gold mineralization in these deposits, perhaps due to the rheological character, permeability after fracturing, and chemical reactivity of those rocks to alteration by hydrothermal fluids.

### Reese River Property

The Reese River/Horse Mountain Window Project is located in Lander County, north-central Nevada, approximately 25 miles south of Battle Mountain. The Property lies on the west flank of the Shoshone Range in the Basin and Range Province. The property consists of 148 unpatented lode mining claims that cover an area of approximately 2960 acres. The area is characterized by rolling north and northwest-trending ridges dissected by incised drainages and mostly covered by alluvial deposits on the flank and pediment of the Shoshone range.

The property was explored by several companies in the past, first for barite to supply the adjacent mine, then for gold by Placer Dome in the 1980's to 90s and 2000's. This historical exploration consisted of geologic mapping, rock-chip and soil sampling, and drilling. A small number of drill holes have been drilled in and around the property by previous operators primarily in search of barite with little if any consideration for gold.

### Spring Valley Property

The Spring Valley property consists of thirty-eight lode mineral claims in the Spring Valley Area, Pershing County, Nevada. The project is located approximately 2.5 km northwest of the Rochester mine in the Humboldt Range, 30 km northeast of Lovelock, Nevada. The property covers rocks folded into a broad anticline broken into large blocks by major north-trending faults. Midway Gold Corporation has been currently actively drilling approximately 2 km to the northeast.

## ITEM 1A. RISK FACTORS.

(1) The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business could be materially adversely affected. In such case, the Company may not be able to proceed with its planned operations and your investment may be lost entirely.

### Risks Related to our Business Operations

It is possible investors may lose their entire investment in Paramount.

Prospective investors should be aware that if we are not successful in our endeavors, your entire investment in the Company could become worthless. Even if we are successful, in identifying mineral reserves that can be commercially developed, there there can be no assurances that we will generate any revenues and our losses will continue.

We have not generated any revenues from operations. We have a history of losses and losses are likely to continue in the future.

We have not generated any revenues from operations. Our Net loss for the fiscal year ended June 30, 2010 totaled \$5,351,958. Cumulative losses since inception totaled \$61,187,098. We have incurred significant losses in the past and we will likely continue to incur losses in the future unless our drilling program proves successful. Even if our drilling program identifies gold, silver or other mineral reserves, there can be no assurance that we will be able to commercially exploit these resources, generate any revenues or generate sufficient revenues to operate profitably.

We may require additional financing to continue drilling operations.

We may require significant working capital to continue our current drilling program. There can be no assurance that we will be able to secure additional funding to meet our objectives or if we are able to identify funding sources, that the funding will be available on terms acceptable to the Company. Should this occur, we will have to significantly reduce our drilling programs which will limit our ability to secure additional equity participation in various joint ventures.

There are no confirmed mineral deposits on any properties from which we may derive any financial benefit.

Neither the Company nor any independent geologist has confirmed commercially mineable ore deposits. In order to carry out additional exploration programs of any potential ore body and to place it into commercial production, we will require substantial additional funding.

We have no history as a mining company.

We have no history of earnings or cash flow from mining operations. If we are able to proceed to production, commercial viability will be affected by factors that are beyond our control such as the particular attributes of the deposit, the fluctuation in metal prices, the cost of construction and operating a mine, prices and refining facilities, the availability of economic sources for energy, government regulations including regulations relating to prices, royalties, restrictions on production, quotas on exploration of minerals, as well as the costs of protection of the environment.





If our exploration costs are higher than anticipated, then our profitability will be adversely affected.

We are currently proceeding with exploration of our mineral properties on the basis of estimated exploration costs. This exploration program includes drilling programs at various locations within Mexico and the United States. If our exploration costs are greater than anticipated, then we will have less funds for other expenses or projects. If higher exploration costs reduce the amount of funds available for the extraction of gold or silver through mining and development activities, then our ability to generate revenues will be adversely affected. Factors that could cause exploration costs to increase are: adverse weather conditions, difficult terrain, increased government regulation and shortages of qualified personnel.

During the next twelve months, and assuming no adverse developments outside of the ordinary course of business we have budgeted approximately \$9.3 million for exploratory activities of which \$6.3 million will be allocated to our Mexican operations and \$3 million will be allocated to our drilling operations in Nevada. Exploration will be funded by our available cash reserves. Our drilling program may vary significantly from what we have budgeted depending upon drilling results. Even if we identify mineral reserves which have the potential to be commercially developed, we will not generate revenues until such time as we undertake mining operations. Mining operations will involve a significant capital infusion. Mining costs are speculative and dependent on a number of factors including mining depth, terrain and necessary equipment. We do not believe that we will have sufficient funds to implement mining operations without a joint venture partner, of which there can be no assurance.

Our budgeted exploration program is significantly larger than our exploration expenses from what we incurred in 2009.

During our last fiscal year, our working capital had declined and we had to allocate our resources to those areas which could lead to identifying proven reserves. In order to maximize our drilling program, we allocated greater resources to geologic testing. Now with greater working capital and more detailed geological results, we will be able to expand our drilling program. However, there can be no assurance that an expanded drilling program will identify proven reserves.

We have no ongoing mining operations.

We are not a mining company and have no ongoing mining operations of any kind. We have interests in mining concessions which may or may not lead to production.

We face many operating hazards.

The development and operation of a mine or mineral property involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, among other things, ground fall, flooding, environmental hazards and the discharge of toxic chemicals, explosions and other accidents. Such occurrences may result in work stoppages, delays in production, increased production costs, damage to or destruction of mines and other producing facilities, injury or loss of life, damage to property, environmental damage and possible legal liability for such damages. As well, although the Company maintains liability coverage in an amount which it considers adequate for its operations, such occurrences, against which the Company may not be able, or may elect not to insure, may result in a material adverse change in the Company's financial position. The nature of these risks is such that liabilities may exceed policy limits, in which event the Company would incur substantial uninsured losses.

There may be insufficient mineral reserves to develop any of our properties and our estimates may be inaccurate.

There is no certainty that any expenditures made in the exploration of any properties will result in discoveries of commercially recoverable quantities of ore. Most exploration projects do not result in the discovery of commercially mineable deposits of ore and no assurance can be given that any particular level of recovery of gold from discovered mineralization will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable ore body which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results.

Short term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that gold recovered in small scale laboratory tests will be duplicated in large scale tests under on-site production conditions. Material changes in estimated reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

We have no proven reserves.

All of our properties are in the exploration stages only and are without known bodies of commercial ore. Development of these properties will follow only upon obtaining satisfactory exploration results. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration and development programs. Mineral exploration and development are highly speculative businesses, involving a high degree of risk. Few properties which are explored are ultimately developed into producing mines. There is no assurance that our mineral exploration and development activities will result in any discoveries of commercial quantities of ore. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. Discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, many of which are beyond the Company's control, such as the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection.

In the course of exploration, development, and mining of mineral properties, certain unanticipated conditions may arise or unexpected or unusual events may occur, including rock bursts, cave-ins, fires, floods, or earthquakes. It is not always possible to fully insure against such risks and we may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they may reduce or eliminate any future profitability and may result in a decline in the value of the securities of the Company.

We face fluctuating gold and mineral prices and currency volatility.

The price of gold and silver as well as other precious base metals has experienced volatile and significant price movements over short periods of time and is affected by numerous factors beyond our control, including international economic and political trends, expectations of inflation, currency exchange fluctuations (including, the U.S. dollar relative to other currencies) interest rates, global or regional consumption patterns, speculative activities and increases in production due to improved mining and production methods. The supply of and demand for gold, other precious and base metals are affected by various factors, including political events, economic conditions and production costs in major mineral producing regions.



Mining operations are hazardous, raise environmental concerns and raise insurance risks.

Mining operations are by their nature subject to a variety of risks, such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences may delay development or production, increase production costs or result in a liability. We may not be able to insure fully or at all against such risks, due to political or other reasons, or we may decide not to take out insurance against such risks as a result of high premiums or other reasons. We intend to conduct our business in a way that safeguards public health and the environment and in compliance with applicable laws and regulations. Environmental hazards may exist on properties in which we hold an interest which are unknown to us and may have been caused by prior owners. Changes to mining laws and regulations could require additional capital expenditures and increase operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could render certain mining operations uneconomic.

Our estimates of resources are subject to uncertainty.

Estimates of resources are subject to considerable uncertainty. Such estimates are arrived at using standard acceptable geological techniques, and are based on the interpretations of geological data obtained from drill holes and other sampling techniques. Engineers use feasibility studies to derive estimates of cash operating costs based on anticipated tonnage and grades of ore to be mined and processed, the predicted configuration of the ore bodies, expected recovery rates of metal from ore, comparable facility and operating costs and other factors. Actual cash operating costs and economic returns on projects may differ significantly from the original estimates, primarily due to fluctuations in the current prices of metal commodities extracted from the deposits, changes in fuel costs, labor rates, changes in permit requirements, and unforeseen variations in the characteristics of the ore body. Due to the presence of these factors, there is no assurance that any geological reports will accurately reflect actual quantities of gold, silver or other metals that can be economically processed and mined by us.

If we are unable to obtain all of our required governmental permits, our operations could be negatively impacted.

Our future operations, including exploration and development activities, required permits from various governmental authorities. Such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that we will be able to acquire all required licenses or permits or to maintain continued operations at our properties.

We are subject to numerous environmental and other regulatory requirements.

All phases of mining and exploration operations are subject to governmental regulation including environmental regulation. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect our operations. As well, environmental hazards may exist on a property in which we hold an interest that was caused by previous or existing owners or operators of the properties and of which the Company is not aware at present.

Government approvals and permits are required to be maintained in connection with our mining and exploration activities. Although we currently have all required permits for our operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting

requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

There is no assurance that there will not be title or boundary disputes.

Although we have investigated the right to explore and exploit our properties and obtained records from government offices with respect to all of the mineral claims comprising our properties, this should not be construed as a guarantee of title. Other parties may dispute the title to any of our properties or that any property may be subject to prior unregistered agreements and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions.

Local infrastructure may impact our exploration activities and results of operations.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or government or other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

We may face difficulties integrating the operations of X-Cal.

There will be administrative and operational issues associated with the operations and exploratory operations of X-Cal. We will have to monitor operations and drilling activities in Nevada where we have no prior operations. There can be no assurance that there will be a smooth acquisition in integrating X-Cal's operations with ours. As a result, we may experience unexpected costs or delays in exploring the X-Cal properties. We may be required to increase the quantum of our reclamation bond for Sleeper Mine if required to do so by authorities in Nevada.

Our financial position and results are subject to fluctuations in foreign currency values.

Any mining operations we undertake outside of the United States will be subject to currency fluctuations. Fluctuations in the exchange rate between the U.S. dollar and any foreign currency may adversely impact our operations. We do not anticipate that we will enter into any type of hedging transactions to offset this risk. In addition, with respect to commercial operations in Mexico or other countries, it is possible that material transactions incurred in local currency, such as engagement of local contractors for major projects, will be settled at a U.S. dollar value that is different from the U.S. dollar value of the transaction at the time it was incurred. This could have the effect of undermining revenues from operations in that country.

Our property interests in Mexico are subject to risks from instability in that country.

We have property interests in Mexico which may be affected by risks associated with political or economic instability in that country. The risks with respect to Mexico or other developing countries include, but are not limited to: military repression, extreme fluctuations in currency exchange rates, criminal activity, lack of personal safety or ability to safeguard property, labor instability or militancy, mineral title irregularities and high rates of inflation. We do not believe that we will face these risks for any activities we undertake in Canada.

In addition, changes in mining or investment policies or shifts in political attitude in Mexico or Canada may adversely affect our business. We may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted but may adversely impact our proposed operations in any foreign jurisdiction.



Increasing violence between the Mexican government and drug cartels may result in additional costs of doing business in Mexico.

To date, we have not incurred additional costs as a result of increasing violence between the Mexican government and drug cartels. The state of Chihuahua where the San Miguel property is located has experienced over 2,500 deaths attributable to the drug wars. To date, this violence has had no impact on our business operations. Management remains cognizant that the drug cartels may expand their operations or violence in areas in close proximity to our operations. Should this occur, we will be required to hire additional security personnel. We have not budgeted for increased security. However, if drug violence becomes a problem or, any other violence impacts our operations, the costs to protect our personnel and property will adversely impact our operations.

There may be challenges to our title in our mining properties.

While we intend to conduct our own due diligence prior to committing significant funds to any project, mining properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. Should this occur, we face significant delays, costs and the possible loss of any investments or commitment of capital.

Because of the speculative nature of exploration for gold and silver properties, there is substantial risk that our business will fail.

The search for precious metals as a business is extremely risky. We cannot provide any assurances that the gold or silver mining interests that we acquired will contain commercially exploitable reserves of gold or silver. Exploration for minerals is a speculative venture necessarily involving substantial risk. Any expenditure that we make may not result in the discovery of commercially exploitable reserves of gold.

The precious metals markets are volatile markets. This will have a direct impact on the Company's revenues (if any) and profits (if any) and will probably have an adverse affect on our ongoing operations.

The price of both gold and silver has increased over the past few years. This has contributed to the renewed interest in gold and silver mining and companies engaged in that business, including the exploration for both gold and silver. However, in the event that the price of these metals fall, the interest in the gold and silver mining industry may decline and the value of the Company's business could be adversely affected. Further, although it is anticipated that mining costs outside of the United States and Canada will be appreciably lower, no assurances can be given that the situation will remain, or that gold or silver will remain at a price that will enable us to generate revenues from our mining operations. Even if we are able to generate revenues, there can be no assurance that any of our operations will prove to be profitable. Finally, in recent decades, there have been periods of both overproduction and underproduction of both gold and silver resources. Such conditions have resulted in periods of excess supply of and reduced demand on a worldwide basis and on a domestic basis. These periods have been followed by periods of short supply of and increased demand for both gold and silver. The excess or short supply of gold has placed pressure on prices and has resulted in dramatic price fluctuations even during relatively short periods of seasonal market demand. We cannot predict what the market for gold or silver will be in the future.

Government regulation or changes in such regulation may adversely affect the Company's business.

The Company has and will, in the future, engage experts to assist it with respect to its operations. The Company deals with various regulatory and governmental agencies and the rules and regulations of such agencies. No assurances can be given that it will be successful in its efforts or dealings with these agencies. Further, in order for the Company to operate and grow its business, it needs to continually conform to the laws, rules and regulations of such jurisdiction. It



is possible that the legal and regulatory environment pertaining to the exploration and development of gold mining properties will change. Uncertainty and new regulations and rules could increase the Company's cost of doing business or prevent it from conducting its business.

We are in competition with companies that are larger, more established and better capitalized than we are.

Many of our potential competitors have:

greater financial and technical resources;

longer operating histories and greater experience in mining;

greater awareness of the political, economic and governmental risks in operating in Mexico.

We may not be able to generate revenues.

To date, we have not generated any revenues from operations. We have incurred significant losses since inception and there can be no assurance that we will be able to reverse this trend. Even if we are able to successfully identify commercially exploitable mining reserves, there can be no assurance that we will have sufficient financing to exploit these reserves, generate revenues or find a willing buyer for the properties.

We have no proven reserves, no mining operations, and no operating income.

We currently have no revenues from operations, no mining operations, and no proven reserves. Reserves, by definition, contain mineral deposits in a quantity and in a form from which the target minerals may be economically and legally extracted or produced. We have not established that precious minerals exist in any quantity in the property which is the focus of our exploration efforts, and unless or until we do so we will not have any income from operations.

Exploration for economic deposits of minerals is speculative.

The business of mineral exploration is very speculative, since there is generally no way to recover any of the funds expended on exploration unless the existence of mineable reserves can be established and the Company can exploit those reserves by either commencing mining operations, selling or leasing its interest in the property, or entering into a joint venture with a larger resource company that can further develop the property to the production stage. Unless we can establish and exploit reserves before our funds are exhausted, we will have to discontinue operations, which could make our stock valueless.

Exploratory and mining operations are subject to environmental risks.

Both exploratory and mining activities are subject to strict environmental rules and regulations. While we believe that we have complied with all applicable rules and regulations to date, there can be no assurance that we will be able to comply with these rules in the future. Moreover, if it is determined that any prior activity on or about our mining reserves created environmental risks, we would be liable for this clean-up even though we did not perpetrate the violation. Environmental legislation is evolving in some countries or jurisdictions in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our projects. We are currently subject to U.S. federal and state government environmental regulations with respect to our properties in the United States. We are also currently subject to environmental regulations with respect to our properties in Mexico and Canada.



The mining industry is highly competitive and the success and future growth of our business depend upon our ability to remain competitive in identifying and developing mining properties with sufficient reserves for economic exploitation.

The mining industry is highly competitive and fragmented with limited barriers to entry, especially at the exploratory stages. We compete in national, regional and local markets with large multi-national corporations and against start-up operators hoping to identify a mining reserve. Some of our competitors have significantly greater financial resources than we do. This puts us at a competitive disadvantage if we choose to further exploit mining opportunities. As we expand into new geographic markets, our success will depend in part on our ability to locate and exploit mineral reserves.

The loss of key members of our senior management team could adversely affect the execution of our business strategy and our financial results.

We believe that the successful execution of our business strategy and our ability to move beyond the exploratory stages depends on the continued employment of key members of our senior management team. If any members of our senior management team become unable or unwilling to continue in their present positions, our financial results and our business could be materially adversely affected.

We operate in a regulated industry and changes in regulations or violations of regulations may result in increased costs or sanctions that could reduce our revenues.

Our organization is subject to extensive and complex foreign, federal and state laws and regulations. If we fail to comply with the laws and regulations that are directly applicable to our business, we could suffer civil and/or criminal penalties or be subject to injunctions or cease and desist orders. While we believe that we are currently compliant with applicable rules and regulations, if there are changes in the future, there can be no assurance that we will be able to comply in the future, or that future compliance will not significantly adversely impact our operations.

We rely on independent analysis to analyze our drilling results and planned exploration activities.

We rely on independent geologists to analyze our drilling results and to prepare resource reports on several of our mining concessions. While these geologists rely on standards established by the Canadian Institute of Mining, Metallurgy and Petroleum, Standards on Mineral Resources and Mineral Reserves and other standards established by various licensing bodies, there can be no assurance that their estimates or results will be accurate. Analyzing drilling results and estimating reserves or targeted drilling sites is not a certainty. Miscalculations and unanticipated drilling results may cause the geologists to alter their estimates. If this should happen, we would have devoted resources to areas where resources could have been better allocated.

#### Risks Related to Our Common Stock

The following risks are currently applicable to Paramount and will remain applicable to the combined company upon completion of the Transaction.

Our stock price may be volatile.

The market price of our common stock has been volatile. We believe investors should expect continued volatility in our stock price. Such volatility may make it difficult or impossible for you to obtain a favorable selling price for our shares.



We have a large number of authorized but unissued shares of our common stock.

We have a large number of authorized but unissued shares of common stock, which our management may issue without further stockholder approval, thereby causing dilution of your holdings of our common stock. Our management will continue to have broad discretion to issue shares of our common stock in a range of transactions, including capital-raising transactions, mergers, acquisitions and in other transactions, without obtaining stockholder approval, unless stockholder approval is required. If our management determines to issue shares of our common stock from the large pool of authorized but unissued shares for any purpose in the future, your ownership position would be diluted without your further ability to vote on that transaction.

During our last fiscal year, we issued a total of 27,051,360 shares of common stock as a result of various financings and for the exercise of options and warrants. While the issuance of the additional shares of our common stock has resulted in dilution to our existing shareholders, management believes that the issuance of these shares of common stock has provided enhanced value to our company and preserved working capital for our drilling program and general working capital.

The exercise of our outstanding options and warrants and vesting of restricted stock awards may depress our stock price.

The exercise of outstanding options and warrants, and the subsequent sale of the underlying common stock in the public market, or the perception that future sales of these shares could occur, could have the effect of lowering the market price of our common stock below current levels and make it more difficult for us and our stockholders to sell our equity securities in the future.

Sales or the availability for sale of shares of common stock by stockholders could cause the market price of our common stock to decline and could impair our ability to raise capital through an offering of additional equity securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None

ITEM 2. PROPERTIES.

Our executive offices are located at 665 Anderson Street Winnemucca, Nevada 89445. We also have a field office in Temoris, Mexico.

The location of our mining operations is more specifically described under the discussion of our business under the heading "San Miguel Project" and "X-Cal Resources" in Item 1. "Business".

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

## A. Market Information

Our common stock is listed for trading NYSE Amex and the Toronto Stock Exchange under the ticker symbol "PZG". Our European listing is with the Frankfurt Stock Exchange under the symbol "P6G". There is a limited market for our common stock.

The following table sets forth the high and low prices for our common stock for the periods indicated:

	HIGH	LOW
Fiscal year ended June 30, 2010		
Quarter ended September 30, 2009	\$ 1.55	\$ 1.17
Quarter ended December 31, 2009	\$ 1.50	\$ 1.12
Quarter ended March 31, 2010	\$ 1.81	\$ 1.40
Quarter ended June 30, 2010	\$ 1.93	\$ 1.26



	HIGH	LOW
Fiscal year ended June 30, 2009		
Quarter ended September 30, 2008	\$ 1.75	\$ 0.64
Quarter ended December 31, 2008	\$ 0.64	\$ 0.26
Quarter ended March 31, 2009	\$ 0.88	\$ 0.36
Quarter ended June 30, 2009	\$ 1.88	\$ 0.70

	HIGH	LOW
Fiscal year ended June 30, 2008		
Quarter ended September 30, 2007	\$ 3.00	\$ 2.13
Quarter ended December 31, 2007	\$ 2.57	\$ 1.70
Quarter ended March 31, 2008	\$ 2.56	\$ 1.81
Quarter ended June 30, 2008	\$ 1.99	\$ 1.38

#### B. Holders

As of September 15, 2010, there are currently in excess of 12,500 beneficial owners of our common stock (84 stockholders of record).

Our transfer agent is BNY Mellon Investor Services LLC whose address is 480 Washington Boulevard Jersey City, New Jersey 073101. Our co-transfer agent is CIBC Mellon located in Toronto, Ontario, Canada.

#### C. Dividends

Holders of our common stock are entitled to receive such dividends as our Board may declare from time to time from any surplus that we may have. We have not paid dividends on our common stock since the date of our incorporation and we do not anticipate paying any common stock dividends in the foreseeable future. We anticipate that any earnings will be retained for development and expansion of our businesses and we do not anticipate paying any cash dividends in the foreseeable future. Future dividend policy will depend upon our earnings, financial condition, contractual restrictions and other factors considered relevant by our Board and will be subject to limitations imposed under Delaware law.

#### D. Equity Compensation Plan

On February 24, 2009, our stockholders approved the 2008/09 Stock Incentive and Compensation Plan (the "Plan"). The purpose of the Plan is to enhance the profitability and value of the Company for the benefit of our stockholders by enabling the Company to attract, retain and reward directors, employees and consultants (collectively, "Participants") and strengthen the mutuality of interests between such persons and the Company's stockholders. The material terms and conditions as set forth in the Plan are similar to our 2006/07 Stock Incentive and Equity Compensation Plan.

We believe that the Plan will be effective in attracting directors, executives and employees to the Company by providing incentives and rewards to those directors, executives, employees and consultants responsible for our continued growth. The type of awards permitted under the Plan will provide a form of incentive that aligns the economic interests of management, employees, consultants and those of our stockholders.

The Plan provides for flexibility to determine what types of awards are beneficial to the Company, its employees, directors and stockholders as changes occur with respect to compensation trends, accounting treatment of awards, tax treatment of awards to the Company or its employees or directors, or its cash flow needs.

The Plan will be administered by the Compensation Committee of the Board. The Compensation Committee will have the authority to determine, within the limits of the express provisions of the Plan, the individuals to whom awards will be granted, the nature, amount and terms of such awards and the objectives and conditions for earning.

#### Awards:

Pursuant to the Plan, the Company may issue non-qualified stock options ("Non-Qualified Stock Options"), incentive stock options ("ISOs", together with Non-Qualified Stock Options referred to herein as "Stock Options"), stock appreciation rights ("SARs"), restricted stock ("Restricted Stock") and registered stock ("Registered Stock"), (collectively, the "Awards") to eligible Participants.

All employees of and consultants to the Company and its affiliates are eligible to be granted Non-Qualified Stock Options, SARs, Restricted Stock and Registered Stock. All employees and directors of the Company and its affiliates are eligible to be granted ISOs.

The aggregate number of shares of common stock which may be issued under the Plan with respect to which Awards may be granted shall not exceed 3,000,000 shares of common stock. On August 31, 2010, the 3 million shares authorized under the Plan represented approximately 2% of the Company's issued and outstanding shares of common stock. If any Stock Option or Stock Appreciation Right granted under the Plan expires, terminates or is cancelled for any reason without having been exercised in full or, with respect to Stock Options, the Company repurchases any Stock Option, the number of shares of common stock underlying the repurchased Stock Option, and/or the number of shares of common stock underlying any unexercised Stock Appreciation Right or Stock Option shall again be available for the purposes of Awards under the Plan.

#### Administration:

The Plan is administered by the Compensation Committee of the Board. The Compensation Committee has the authority to determine, within the limits of the express provisions of the Plan, the individuals to whom awards are granted, the nature, amount and terms of such awards and the objectives and conditions for earning such awards or grants.

#### Types of Awards:

Awards under the Plan may include restricted shares of common stock, registered shares of common stock (since the Plan's Form S-8 has been filed), nonqualified stock options, ISOs and SARs. Restricted shares are shares of common stock issued to a recipient subject to such terms and conditions, including, without limitation, forfeiture and to such restrictions against sale, transfer or other disposition, as the Compensation Committee may determine at the time of issuance. A SAR is the right to receive cash, common stock or both based on the increase in the market value of the shares of common stock covered by such SAR from the initial date of the performance period for such SAR to the date of exercise. If the Compensation Committee elects to pay an amount to a participant in common stock, such common stock shall be valued at fair market value (as defined in the Plan) as of the day of exercise of the SAR.

The Compensation Committee may determine that all or a portion of an award may be deferred, that it may be vested at such times and upon such terms as the Compensation Committee may select, or that a recipient must be an employee or director at the time the award is paid or exercised. The Plan provides that ISOs may be granted to a recipient during a calendar year only if the aggregate fair market value (determined as of the time an ISO is granted) of common stock with respect to which ISOs are exercisable for the first time by such recipient during any calendar year under the Plan and any other "incentive stock option plans" maintained by Paramount does not exceed \$100,000.

#### Eligible Recipients of Awards:

The Compensation Committee may grant awards to any of Paramount's employees, to a member of the Board and to our consultants.

#### Restrictions on Awards to Insiders:

No award under the Plan shall be granted if the aggregate number of shares of common stock (i) issued to insiders (as that term is defined in the Plan) of Paramount within any one year period, or (ii) issuable to insiders at any time, under the Plan and any other security based compensation arrangement of Paramount could exceed 10% of Paramount's shares of common stock issued and outstanding, on a non-diluted basis, at the time of the grant of the award.

#### Term of Options:

The term of each stock option shall be fixed by the Compensation Committee but no stock option shall be exercisable more than ten (10) years after the date the stock option is granted. If any stock options are set to expire during any black-out period which would prohibit the option holder from exercising the stock option during the black-out period, then in that event the option term shall be extended for an additional ten (10) days beyond the end of any black-out period to permit the holder to exercise the stock option.

#### Option Price:

The option price per share of common stock purchasable under either an ISO or non-qualified stock option shall be determined by the Compensation Committee at the time of grant but shall not be less than 100% of the fair market value (as defined in the Plan) of the share of common stock at the time of grant. Notwithstanding the foregoing, if an option is modified, extended or renewed and, thereby, deemed to be the issuance of a new option under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), the exercise price of an option may continue to be the original exercise price even if less than the fair market value of the common stock at the time of such modification, extension or renewal.



Market Appreciation of Stock Appreciation Rights:

The Plan provides for Tandem and Non-Tandem Stock Appreciation Rights. A Tandem Stock Appreciation Right shall mean the right to surrender to Paramount all (or a portion) of a stock option in exchange for an amount in cash or stock equal to the excess of (i) the fair market value (as that term is defined in the Plan), on the date such stock option (or such portion thereof) is surrendered, of the common stock covered by such stock option (or such portion thereof), over (ii) the aggregate exercise price of such stock option (or such portion thereof). A Non-Tandem Stock Appreciation Right shall mean the right to receive an amount in cash or stock equal to the excess of (x) the fair market value of a share of common stock on the date such right is exercised, over (y) the aggregate exercise price of such right, other than on surrender of a stock option.

Stock Award Pricing:

The Compensation Committee shall determine the price, if any, to be paid by the recipient of an award of restricted stock and registered stock under the Plan.

Assignability:

No award granted pursuant to the Plan is transferable or assignable by its recipient other than by will or the laws of descent and distribution.

Shares Subject to the Plan:

An aggregate of 3,000,000 shares of common stock is currently reserved for issuance under the Plan representing approximately 2% of Paramount's issued and outstanding shares of common stock as of August 31, 2010. Shares of common stock to be delivered or purchased under the Plan may be either authorized but unissued common stock or treasury shares.

Anti-Dilution Protection:

In the event of any changes in the capital structure of Paramount, including a change resulting from a stock dividend or stock split, or combination or reclassification of shares, the Board is empowered to make such equitable adjustments with respect to awards or any provisions of the Plan as it deems necessary and appropriate, including, if necessary, any adjustments in the maximum number of shares of common stock subject to the Plan or in the number of shares of common stock subject to an outstanding award.

Merger, Consolidation, Reorganization, Liquidation, Etc.:

If after the date of the adoption of the Plan, Paramount becomes a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board is authorized under the Plan to make such arrangements it deems advisable with respect to outstanding awards, which shall be binding upon the recipients of such awards, including, but not limited to, the substitution of new awards for any awards then outstanding, the assumption of any such awards, and the termination of or payment for such awards.

Market Value Restrictions:

The amounts of certain awards are based on the fair market value of a share of common stock at a specified point in time. The exercise price per share of common stock under each nonqualified stock option or ISO granted under the Plan, which is paid to Paramount at the time of the exercise, shall be determined by the Compensation Committee, but may not be less than the fair market value of such common stock on the date of grant of such option. "Fair market value" of a share of common stock as of a given date is defined by the Plan to be as of any given date: (i) if the common stock is listed on a national securities exchange, foreign stock exchange or quoted on the Nasdaq Global Market (formerly, the Nasdaq National Market) or Nasdaq Capital Market (formerly, the Nasdaq SmallCap Market), the closing price of the common stock on the trading market for the common stock, as selected by the Compensation Committee, on the trading date preceding the given date, as reported by the exchange or Nasdaq, as the case may be, (ii) if the common stock is not listed on a national securities exchange, foreign stock exchange or quoted on the Nasdaq Global Market or Nasdaq Capital Market, but is traded in the over-the-counter market, the closing bid price for the common stock on such date, as reported by the Over-the-Counter Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations.

No Repricing:

Except for adjustments made pursuant to the anti-dilution provisions of the Plan, or by reason of a merger, consolidation, major acquisition of property for stock, reorganization or liquidation the exercise price or purchase price under any outstanding option award granted under the Plan may not be decreased after the date of grant, nor may any outstanding award granted under the Plan be surrendered to Paramount as consideration for the grant of a new award with a lower exercise price in the absence of the approval of the holders of a majority of the shares of our common stock present in person or by proxy at a duly constituted meeting of our shareholders.

Termination of Employment:

Generally, unless otherwise determined by the Compensation Committee at grant, if a Participant is terminated for cause, any stock option held by such Participant shall thereupon terminate and expire as of the date of termination. Unless otherwise determined by the Compensation Committee at grant, any stock option held by a Participant:

- (i) on death or termination of employment or consultancy by reason of disability or retirement may be exercised, to the extent exercisable at the participant's death or termination, by the legal representative of the estate or participant as the case may be, at any time within a period of one (1) year from the date of such death or termination;
- (ii) on termination of employment or consultancy by involuntary termination without cause or for good reason may be exercised, by the participant at any time within a period of ninety (90) days from the date of such termination; or
- (iii) on termination of employment or consultancy by voluntary termination but without good reason and occurs prior to, or more than ninety (90) days after, the occurrence of an event which would be grounds for termination by Paramount for cause, any stock option held by such participant may be exercised, to the extent exercisable at termination, by the Participant at any time within a period of thirty (30) days from the date of such termination, but in no event beyond the expiration of the stated term of such stock option.

Amendments to the Plan:

The Board may at any time amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate the Plan entirely. Provided, however, that, unless otherwise required by law or specifically provided in the Plan, the rights of a Participant with respect to awards granted prior to such amendment, suspension or termination, may not be

impaired without the consent of such Participant and, provided further, without the approval of the stockholders of Paramount, if and to the extent required by the rules of a stock exchange on which Paramount's common stock is listed for trading, if and to the extent required by the applicable provisions of Rule 16b-3 of the Exchange Act of 1934, as amended (the "Exchange Act"), or, if and to the extent required, under the applicable provisions of the Internal Revenue Code, no amendment may be made which would, among other things: increase the aggregate number of shares of common stock that may be issued under the Plan; change the classification of Participants eligible to receive awards under the Plan; decrease the minimum option price of any stock option; extend the maximum option period; change any rights under the Plan with regard to non-employee directors; or require stockholder approval in order for the Plan to continue to comply with the applicable provisions.

E. Sale of Unregistered Securities

During the year, we have issued shares of our common stock for services rendered, to acquire mineral rights and in connection with our funding activities.

We issued 1,533,180 of our common stock from options exercised.

In December 2009, we issued 181,818 shares of our common stock pursuant to the exercise of warrants valued at \$172,309.

In December 2009, we issued 300,000 shares of our common stock at \$1.25 per share in relation to our acquisition of 12 mining concessions in the Guazapares municipality.

In January 2010, we issued 3,636,362 shares of our common stock pursuant to the exercise of outstanding warrants valued at \$4,380,907.

In June 2010, we issued 3,000,000 shares of our common stock pursuant to the exercise of outstanding warrants for net proceeds of \$3,088,575.

On August 23, 2010 we issued 22,001,247 shares of our common stock to the shareholders of X-Cal Resources in connection with the acquisition of all of the issued and outstanding shares of common stock of X-Cal Resources.

With respect to the sale of the securities identified above, we relied on the exemptive provisions of Section 4(2), Regulation S or Section 3(a) 10 of the Securities Act of 1933, as amended.

At all times relevant the securities were offered subject to the following terms and conditions:

The sale was made to a sophisticated or accredited investor, as defined in Rule 502 or were issued pursuant to a specific exemption;

we gave the purchaser the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which we possessed or could acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished;

at a reasonable time prior to the sale of securities, we advised the purchaser of the limitations on resale in the manner contained in Rule 502(d)2; and

neither we nor any person acting on our behalf sold the securities by any form of general solicitation or general advertising.



## ITEM 6. SELECTED FINANCIAL DATA.

The following consolidated financial data has been derived from and should be read in conjunction with our audited interim financial statements for the years ended June 30, 2010 and 2009.

	Year Ended June 30, 2010 (Audited)	Year Ended June 30, 2009 (Audited)	Year Ended June 30, 2008 (Audited)
Revenue	\$ 35,853	\$ 249,082	\$ 457,562
Expenses	\$ 10,248,026	\$ 7,490,261	\$ 18,867,523
Cash	\$ 21,380,505	\$ 7,040,999	\$ 3,199,848
Total Assets	\$ 46,328,181	\$ 27,457,795	\$ 11,932,328
Current Liabilities	\$ 6,410,090	\$ 383,445	\$ 1,714,620
Total Liabilities	\$ 6,410,090	\$ 383,445	\$ 1,714,620
Working Capital	\$ 22,750,664	\$ 8,116,541	\$ 4,119,068
Accumulated Deficit	\$ 61,187,098	\$ 43,197,264	\$ 35,956,085

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

We are an exploratory stage mining company that currently has mining concessions in Mexico and the Sleeper Mine in Nevada, USA. We have no proven reserves at San Miguel but are currently exploring the project. We are also preparing to commence an exploratory and metallurgical program at the Sleeper Gold property in Nevada.

Comparison of Operating Results for the year ended June 30, 2010 as compared to June 30, 2009

Revenues:

We are an exploratory mining company with no revenues from operations to date. All of our revenues to date represent interest income which we have earned as a result of our cash holdings. Our cash holdings were generated from the sale of our securities. Interest income for the year ended June 30, 2010 were \$35,853 as compared to \$249,082 for the year ended June 30, 2009. Interest income since inception totals \$1,017,962. Interest income decreased by approximately 86% from the prior year. The significant decrease in our interest income is primarily due to lower interest rates offered for short-term investments. Our funds are deposited in an interest bearing account subject to transfer to our operating account to meet ongoing expenses. We intend to utilize our cash reserves for ongoing exploration activities, land acquisitions and general working capital expenditures.

Operating Expenses:

We incurred expenses totaling \$10,248,026 as compared to \$7,490,261 for the year ended 2009, an increase of approximately \$2.76 million. For the year-ended June 30, 2010, we incurred exploration costs of \$6,043,791 compared to \$2,372,621 in the previous year. The increase was due to a significant increase in exploration activity which included planning, target development, drilling and testing at our San Miguel project in Mexico. Expenses for professional fees, corporate communications and consulting fees were \$931,404, \$332,139 and \$418,437 compared to the previous year of \$1,244,792, \$803,186 and \$1,561,084 respectively. The decline from the previous year is a result of headcount reduction and streamlining of all corporate functions. The acquisition expenses of \$1,242,569 were a result of legal, advisory and due diligence cost related to our proposed merger with Klondex Mines Ltd. and our acquisition of X-Cal Resources Ltd.

Net Income (loss):

Our Net Loss for the year ended June 30, 2010 was \$5,351,958 as compared to a Net Loss of \$7,241,179 in our prior year. Our Net Loss per share was \$0.06 as compared to a Net Loss per share of \$0.11 for the comparable periods in 2009. The decline in our net loss per share is directly attributable to an increase in the number of our issued and outstanding shares of common stock. The weighted average number of shares of common stock outstanding for 2010 was 98,617,938 as compared to 65,433,659 for 2009. Until such time as we are able to identify mineral deposits which we believe can be extracted in a commercially reasonable manner, of which there can be no assurance, we anticipate that we will continue to incur ongoing losses.

## Liquidity and Capital Resources:

### Assets and Liabilities,

At June 30, 2010 we had cash and cash equivalents totaling \$21,380,505 as compared to \$7,040,999 at June 30, 2009, an increase of approximately \$14.3 million. The significant increase in our cash reserves is a direct result of an underwritten public offering of our securities by Dahlman Rose & Company for net proceeds of approximately \$21.7 million in October 2009 and from the exercise of warrants in January and June 2010. Accounts receivable increased from \$221,267 at June 30, 2009 to \$1,511,619 at June 30, 2010. The increase in accounts receivable is primarily due to value added tax owed by the Mexican Government related to our increased exploration activities at our San Miguel project. Also, our term deposit of \$1,063,772 at June 30, 2009 came to term prior to June 30, 2010 and was re-invested in a cash equivalent GIC. We had total current assets of \$23,697,532 at June 30, 2010 as compared to \$8,499,986 at June 30, 2009, an increase of approximately 279% .

Our mineral properties were valued as of June 30, 2010 at \$22,111,203 as compared to \$18,436,951 at June 30, 2009, an increase of approximately \$3.7 million. Also during the past year, we have written off \$275,000 attributable to Vidette Lake as a result of terminating our option on this property.

Total assets at June 30, 2010 were \$46,328,181 as compared to \$27,457,795 at June 30, 2009, an increase of approximately 169% due to significant financings and mineral property purchases.

Our current liabilities as of June 30, 2010 totaled \$6,410,090 as compared to \$383,445 at June 30, 2009. The increase in current liabilities is almost all attributable to the addition this year of a warrant liability of \$5,979,767 due to warrants with exercise prices valued in Canadian funds. We did not record a similar liability last year as we did not adopt 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 until July 1, 2009, which is the date at which this amendment becomes effective. The warrant liability is a non-cash item and only obligates the Company to issue common shares if exercised by the holder of the warrant prior to expiry. We have a working capital surplus of \$22,750,664 as compared to a working capital surplus of \$8,116,541 at June 30, 2009. We believe that our working capital surplus will enable us to meet our anticipated drilling for several fiscal years and operational needs, subject to any costs that we incur with respect to the acquisition of additional mineral properties. Acquisition of additional mineral properties may require a cash infusion from either debt or equity financing, of which there can be no assurance.

### Comparison of Operating Results for the year ended June 30, 2009 as compared to June 30, 2008

#### Revenues:

We are an exploratory mining company with no revenues from operations to date. All of our revenues to date represent interest income which we have earned as a result of our cash holdings. Our cash holdings were generated from the sale of our securities. Interest income for the year ended June 30, 2009 was \$249,082 as compared to \$457,562 for the year ended June 30, 2008. Interest income since inception totals \$982,109. Interest income decreased by approximately 46% from the prior year. The significant decrease in our interest income is primarily due to significantly declining cash balances which were not reversed until the completion of a financing at the end of December 2008. Our funds are deposited in an interest bearing account subject to transfer to our operating account to meet ongoing expenses. We intend to utilize our cash reserves for ongoing exploration activities, land acquisitions and general working capital expenditures.



Operating Expenses:

We incurred expenses totaling \$7,490,261 as compared to \$18,867,523 for the year ended 2008, a decrease of approximately \$11.37 million. The significant decrease in our expenses is primarily attributable to a decrease in exploration expenses of approximately \$6 million and a decrease in stock based compensation totaling approximately \$4.5 million. Other areas experiencing less significant cost reductions included travel and lodging, corporate communications and marketing. The only area where we saw a significant increase in costs was with respect to office and administrative expenses which increased by approximately \$350,000.

During our last fiscal year, we incurred exploratory costs of \$1,548,330, professional fees totaling \$1,244,792, geologist fees and expenses of \$824,291, marketing fees of \$542,279 and office and administrative expenses totaling \$881,726. These fees compare to exploratory fees of \$7,575,155, professional fees of \$3,235,090, geologist fees and expenses of \$1,121,187, marketing fees of \$932,777, and office and administrative expenses of \$511,096 for the year ended June 30, 2008. The significant decline in our overall expenses as identified in our Consolidated Statement of Operations is primarily attributable to management's decision to reduce drilling operations to preserve capital and to further evaluate drilling results. While we continue to rely on stock based compensation, we have not relied on this financing source as much as in the past. During our latest fiscal year stock based compensation declined from \$6,061,101 to \$1,733,052. We issued shares of our common stock for consulting and geological services. With fewer personnel involved in our drilling program, stock based compensation has declined.

Net Income (loss):

Our Net Loss for the year ended June 30, 2009 was \$7,241,179 as compared to a Net Loss of \$18,409,961 in our prior year. Our Net Loss per share was \$(0.11) as compared to a Net Loss per share of \$(0.38) for the comparable periods in 2008. The decline in our net loss per share is directly attributable to an increase in the number of our issued and outstanding shares of common stock. The weighted average number of shares of common stock outstanding for 2009 was 65,423,659 as compared to 47,703,566 for 2008. Until such time as we are able to identify mineral deposits which we believe can be extracted in a commercially reasonable manner, of which there can be no assurance, we anticipate that we will continue to incur ongoing losses.

Liquidity and Capital Resources:

Assets and Liabilities

At June 30, 2009 we had cash and cash equivalents totaling \$7,040,999 as compared to \$3,199,848 at June 30, 2008, an increase of approximately 120%. The significant increase in our cash reserves is a direct result of a private placement of our securities with FCMI in the amount of \$7.2 million in March 2009. Accounts receivable declined from \$1,384,492 at June 30, 2008 to \$221,267 at June 30, 2009. Similarly, prepaid deposits and expenses declined from \$379,348 to \$82,583. We had total current assets of \$8,499,986 at June 30, 2009, as compared to \$5,833,688 at June 30, 2008, an increase of approximately 30%.

Our mineral properties were valued as of June 30, 2009 at \$18,436,951 as compared to \$4,738,747, an increase of approximately 300%. The significant increase in the value of our mineral properties this past year is directly attributable to an increase in the size of our holdings. During this past year, we issued 16,200,000 shares of our common stock for the acquisition of additional mineral properties valued at \$13,698,204. Approximately \$9.04 million of this total is attributable to our San Miguel concession and \$3.97 million is attributable to our Temoris concession. (See Footnotes 4 and 7.) We also have a short term receivable of \$1,063,772 which is non-redeemable until May 7, 2010 and bears interest at the rate of 3.25% per annum. Fixed assets totaled \$520,858 as compared to \$354,996. Our long term assets at June 30, 2009 totaled \$18,957,809 as compared to \$6,098,640 at June 30, 2008, almost all of which is attributable to the increase in our mineral properties.

Total assets at June 30, 2009 were \$27,457,795 as compared to \$11,932,328 at June 30, 2008, an increase of approximately 130%.

Our current liabilities as of June 30, 2009 totaled \$383,445 as compared to \$1,714,620 as of June 30, 2008. We have a working capital surplus of \$8,116,541 as compared to a working capital surplus of \$4,119,068 at June 30, 2008. We believe that our working capital surplus will enable us to meet our anticipated drilling and operational needs, subject to any costs that we incur with respect to the acquisition of additional mineral properties. Acquisition of additional mineral properties will likely require a cash infusion from either debt or equity financing, of which there can be no assurance.

Results of Operations for the year ended June 30, 2010:

With respect to our short term liquidity, our "Current Ratio" (current assets divided by current liabilities) as of June 30, 2010 was 3.70 to 1 compared to 22 to 1 at June 30, 2009. This decrease is a result of adopting FASB ASC 815 in where the Company records its outstanding warrant and options with strike prices denominated in Canadian Dollars as a current liability as opposed to equity. The current ratio excluding the non-cash warrant liability of \$5,979,767 is 55 to 1. The current ratio is commonly used as a measure of a company's liquidity. Our management believes, however, that with a company still in the exploratory stage, the ratio may not be as significant as with an ongoing business in comparing the Company with others in the industry. In analyzing our liquidity, we look at actual dollars; we compare our cash on hand and other short-term assets with our bills payable and other short-term obligations. Since our only source of funds has been from the periodic sale of securities, it will be very difficult for us to meet our current and anticipated obligations for a significant period of time without raising additional capital. If we are not able to raise adequate capital and to do so in a timely manner, we will not be able to fully implement our business plan or sustain ongoing operations.

If and when we are able to begin production, which is highly uncertain, we will make an evaluation to determine whether cash reserves should be established or other steps taken to minimize possible adverse consequences due to environmental matters. Such evaluation will consider, among other factors, the land or other sources from which the raw materials are taken and the land upon which the processing is done, the nature of any chemicals used in the processing, and the nature, extent, and means of disposition of the residue from the processing.

Since our inception, we have funded our activities by issuing common stock. Although we will continue periodically to seek external sources of funds, there can be no assurance that we will be able to raise sufficient capital to fund our operations. If we do raise equity capital, depending on the number of shares issued and the issue price of the shares, current stockholders' interests may be diluted.

The Company's consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability to continue as a going concern is dependent on the Company's ability to generate profitable operations in the future, to

maintain adequate financing, and to achieve a positive cash flow. There is no assurance it will be able to meet any or all of such goals.

#### Plan of Operation – Exploration:

Our plan of operation for the next twelve months is to focus our exploratory efforts on both the San Miguel project in Mexico and our recently acquired Sleeper Gold Mine in Nevada, USA as part of our acquisition of X-Cal Resources. It is very difficult to forecast with any degree of certainty the extent of our drilling program for 2011. We have budgeted \$6.3 million for our drilling program in Mexico and \$3 million for Nevada. A portion of our working capital may be utilized to acquire additional mineral properties in which case we will have to carefully manage our exploratory program to preserve capital.

#### Critical Accounting Policies

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

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

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

Our consolidated financial statements are prepared using the accrual method of accounting and according to the provision of Statement of Financial Accounting Standard ("SFAS") No. 7, "Accounting and Reporting for Development Stage Enterprises", as it was 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.

Effective January 1, 2006, we adopted the provisions of SFAS No. 123(R), "Share-Based Payment," under the modified prospective method. SFAS No. 123(R) eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, we are required to recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously required by SFAS No. 123, as amended by SFAS No. 148, will continue to be required under SFAS No. 123(R) to the



extent those amounts differ from those in the Consolidated Statement of Operations.

#### Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements. We do not anticipate entering into any off-balance sheet arrangements during the next 12 months.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements have been examined to the extent indicated in its reports by Meyers Norris Penny LLP, Chartered Accountants and have been prepared in accordance with generally accepted accounting principles and pursuant to Regulation S-X as promulgated by the SEC and are included herein, on Page F-1 hereof.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

#### ITEM 9A. CONTROLS AND PROCEDURES.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report (June 30, 2010). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as the principal executive and financial officers, respectively, to allow timely decisions regarding required disclosure.

It should be noted that any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Management believes that the Company's system of disclosure and controls currently in place are effective to provide reasonable assurance levels as to their accuracy.

### Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f).

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our internal control over financial reporting as of June 30, 2010. In conducting this evaluation, management used the framework established by the Committee of Sponsoring Organizations of the Treadway Commission as set forth in Internal Control – Integrated Framework. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of June 30, 2010.

The effectiveness of our internal control over financial reporting as of June 30, 2010, has been audited by Meyers Norris Penny LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. Meyers Norris Penny LLP's report on the Company's internal control over financial reporting is included in this Annual Report on Form 10-K.

Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Evaluation of Changes in Internal Controls over Financial Reporting

There was no change in the internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### ITEM 9B. OTHER INFORMATION.

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following information sets forth the names of our officers and directors, their present positions, and some brief information about their background.

Name	Age	Position(s)
Christopher Crupi	41	Director/CEO/President/Treasurer
Charles William Reed	66	Former Director and Vice president
Robert Dinning	71	Director
Michael Clancy	45	Secretary
John Carden	62	Director
Christopher Reynolds	45	Director
Michel Yvan Stinglhamber	77	Director
Eliseo Gonzalez-Urien	69	Director
Rudi P. Fronk	51	Director
Carlo Buffone	40	Chief Financial Officer
Shawn Kennedy	59	Director*

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\*Appointed director in August 2010 in connection with the acquisition of X-Cal Resources.

#### Christopher Crupi

Mr. Crupi is a chartered accountant. He has served as our CEO and director since April, 2005. Mr. Crupi founded the Company in March 2005 and oversees the administrative and operational activities of the Company. From 2000 to 2004, Mr. Crupi was a Vice President of PricewaterhouseCoopers LLP, an international accounting firm. Mr. Crupi received his Bachelor of Commerce degree from the University of Ottawa in 1992. Chartered Accountant designation in 1995 and Chartered Insolvency and Restructuring Professional designation in 1998.

#### Michael Clancy

Mr. Clancy was appointed our Corporate Secretary in August 2007. Mr. Clancy is a partner in the Ottawa office of Gowling Lafleur Henderson LLP (“Gowlings”). Mr. Clancy practices business law and has been with Gowlings since 1989. Mr. Clancy completed two years of a Bachelor of Arts at Carleton University and obtained his Bachelor of Laws from Osgoode Hall Law School. Gowlings serves as our corporate and securities counsel for non-U.S. related securities matters.

Robert Dinning

Mr. Dinning joined Paramount in March 2008 as a director. Mr. Dinning is a Chartered Accountant, and life time member of the Alberta Institute of Chartered Accountants. Mr. Dinning has operated a consulting practice since 1977. He has an extensive background in corporate finance, operating in the mining and high tech industries. Mr. Dinning has been an officer and director of various public and private companies for the past 35 years, including various companies in both the United States and Canada. Mr. Dinning has since 2000 held various positions with Apolo Gold & Energy Corp., a Vancouver, British Columbia based company focused on precious metal mining opportunities in Central and South America and currently serves as Apolo's Chief Financial Officer, Secretary and as a Director. Mr. Dinning is also CFO of ATAC Resources listed on the TSXV.

John Carden, Ph.D

Dr. Carden joined the Company as a director in September 2006. Dr. Carden has more than twenty years experience in exploration management, teaching, and research. Since 2001, Dr. Carden has been a geologic consultant for several junior resource companies. Dr. Carden is currently a director of Corex Gold Corporation, a junior gold exploration and development company, and Magnum Uranium Corp., a uranium exploration and development company, each of which are TSX Venture Exchange listed companies. From 1998 to 2001, Dr. Carden was the President of Latitude Minerals Corporation, a publicly traded company on the Canadian Venture Exchange, and Director of U.S. Exploration for Echo Bay Mining from 1992 to 1998. Dr. Carden is a licensed Professional Geologist in the State of Washington. Dr. Carden received both his Bachelor of Science and Master of Science in geology from Kent State University in 1970 and 1971, respectively, and his doctorate in geology from Geophysical Institute, University of Alaska in 1978.

Michel Yvan Stinglhamber

Mr. Stinglhamber joined the Company as a director in May 2007. Mr. Stinglhamber has significant experience in the Mexican mining industry. He currently represents Umicore Belgium in Mexico, a materials technology company, and serves as a director for Unimet SA de CV, a wholly owned subsidiary of Umicore Belgium which is active in the fields of precious metals exploration. Mr. Stinglhamber is also the Chairman of the Mining Group-Compania Minera Misiones SA de CV, a mining company located in Mexico. He is also on the board of directors of Marina Costa Baja in Mexico.

Since 1991, Mr. Stinglhamber has been involved in a number of mining ventures in Mexico. He was the president of the Belgo Luxemburg Mexican Chamber of Commerce in 1987, and in 2002, was awarded the Belgian decoration of "Officer of the Crown".

Eliseo Gonzalez-Urien

Mr. Gonzalez-Urien joined our Board in March 2009. He currently serves as a member of the board of directors of Seabridge Gold. He is an exploration geologist with over 30 years of experience in the mining industry. From 1989 through 2001 Mr. Gonzalez-Urien held various executive positions with Placer Dome Inc. including senior vice president of the parent company and president of Placer Dome Exploration Inc. During this period he was charged with responsibility for Placer Dome's worldwide exploration activities. Prior to Placer Dome, Mr. Gonzalez-Urien held senior positions with BHP-Utah Inc. and Noranda. He holds a degree in geology from the University of Santiago, Chile, followed by post graduate studies in geology at the University of California, Berkley.



Rudi P. Fronk

Mr. Fronk joined our Board in March 2009. Since 1999 he has served as the president, chief executive officer and a director of Seabridge Gold Inc. Seabridge is located in Toronto, Ontario, and has gold projects throughout North America. Prior to Seabridge, Mr. Fronk held senior management positions with Greenstone Resources, Columbia Resources, Behre Dolbear & Company, Riverside Associates, Phibro-Salomon, Amax, and DRX. Mr. Fronk is a graduate of Columbia University from which he holds a Bachelor of Science in Mining Engineering and a Master of Science in Mineral Economics. Mr. Fronk resides in Toronto, Ontario.

Christopher Reynolds

Mr. Reynolds has 20 years of mineral industry and public accounting experience and is currently the Vice President Finance and Chief Financial Officer of Norsemont Mining Inc., a TSX listed corporation. Until 200, he served as Senior Vice President, CFO and Secretary of SouthernEra Diamonds Inc. He has held various finance and accounting positions at Southern Platinum Corp., TVX Gold Inc., Inmet Mining Corporation and PricewaterhouseCoopers. He also served as a director of Arizona Star Resource Corp. Mr. Reynolds became a Certified General Accountant in 1994 and received a B.A. (Economics) from McGill University in 1987.

Carlo Buffone

Mr. Buffone has been a Certified Management Accountant (CMA) since 1995 and is presently 39 years old. From 1995 to 1999 Mr. Buffone was Corporate Controller form Huber Suhner Canada and in 1999 he was Chief Financial Officer of ivyNet Corporation in Toronto, a public company. From April 2001 to April 2005, Mr. Buffone was employed as a Corporate Development Specialist for CMA Holdings Group a wealth management firm with over \$23 billion in assets under administration where he was responsible for mergers and acquisitions. In April 2005 he founded Mama's Boy Wines and has since inception served as its president. The company develops wholesale sales channels for artisanal wine makers both domestically and in Europe.

Mr. Buffone received a Bachelor of Commerce Degree from the University of Ottawa in 1993 and studied mergers and acquisitions at the Kellogg School of Management at Northwestern University in 2004.

Shawn Kennedy

Mr. Kennedy incorporated X-Cal in 1981 as a private company under the name of X-Calibre Resources. In 1985 the company was listed on the Toronto Stock Exchange and the name changed to X-Cal. Mr. Kennedy has served as President and director of X-Cal since incorporation. His first prospector's license was issued in British Columbia in 1974.

Charles William Reed

Mr. Reed previously served as our Vice President and as a director since 2005. Mr. Reed has significant mining experience in Mexico, as he was formerly Chief Geologist in Mexico for Minera Hecla S. A. de C. V. ("Hecla"), a subsidiary of Hecla Mining (NYSE:HL) from 1998 to 2004, and Regional Geologist, Mexico and Central America for Echo Bay Exploration from 1993 to 1998. While at Hecla, Mr. Reed supervised detailed exploration at the Noche Buena project, Sonora, and the San Sebastian silver and gold mine, Durango. He also discovered and drilled the Don Sergio vein that was later put into production. Mr. Reed received his Bachelor of Science Degree, Mineralogy, from the University of Utah in 1969 and is a Registered Professional Geologist in the State of Utah. He also completed an Intensive Spanish Program at Institute De Lengua Espanola, San Jose, Costa Rica in 1969.





## Committees of the Board

The Board has established an Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. A minimum of three Board members serve on each committee. All of our Committees meet throughout the year.

Our Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act, consists of Christopher Reynolds, Robert Dinning and John Carden. Mr. Reynolds serves as chairman of the Audit Committee. The Board has determined that Mr. Dinning is independent and is an “audit committee financial expert” within the meaning of applicable SEC regulations. Dr. Carden and Christopher Reynolds are independent directors. The Audit Committee meets quarterly to review the Company’s financial statements in connection with the filings of its quarterly and annual report.

Our Audit Committee oversees the accounting and financial reporting processes of the Company and audits of the financial statements. The Audit Committee also assists the Board in oversight and monitoring of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications, independence and performance, and (iv) the Company’s internal accounting and financial controls.

Our Compensation Committee consists of Robert Dinning, John Carden and Rudi Fronk. Each member of our Compensation Committee is an independent director. Mr. Dinning serves as the chairman of the Compensation Committee. Our Compensation Committee discharges the Board’s responsibilities relating to compensation of the Company’s executive officers. The Compensation Committee reviews and approves for the CEO and the other executive officers of the Company (i) the annual base salary, (ii) the annual incentive bonus, including the specific goals and amount, (iii) equity compensation, (iv) employment agreements, severance arrangements, and change in control agreements/provisions, and (v) any other benefits, compensation or arrangements. The Compensation Committee will have overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company and administering the Company’s equity compensation plans.

Our Nominating/Corporate Governance Committee consists of Michel Yvan Stinglhamber, Rudi Fronk and Eliseo Gonzalez-Urien. Each member of our Nominating Committee is an independent director. Mr. Fronk serves as the chairman of the Nominating Committee. The Nominating/Corporate Governance Committee’s responsibilities are to (i) identify individuals qualified to become Board members; (ii) select, or recommend to the Board, director nominees for each election of directors, (iii) develop and recommend to the Board criteria for selecting qualified director candidates, and (iv) consider committee member qualifications, appointment and removal; and (v) review corporate governance policies and procedures.

During the year the Company established a Corporate Governance Committee comprising all the independent members of the Board of Directors. The Corporate Governance Committee has not yet met and will do so only if matters arise that require consideration.

During our last fiscal year our Board met a total of 13 times, our Audit Committee met 3 times, our Nominating Committee met 1 time and our Compensation Committee met 1 time. All of our directors attended at least 75% of our Board meetings.

We anticipate that our Board and the committees will continue to meet on a periodic basis throughout the year.



#### Corporate Cease Trade Orders or Bankruptcies

Other than as set out herein, no director, officer or other member of management of the Company is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

On March 13, 2008, the SEC suspended trading in 26 securities, including Paramount. The trading halt was for a period of ten days. Following the issuance of the order, Paramount undertook to demonstrate that there were no improprieties with respect to the issuance of its common stock, that all shares of common stock were validly issued and outstanding and that all shares of common stock contained a proper CUSIP number. No further action was taken by the SEC following presentation of this information.

#### Penalties or Sanctions

To the best of our knowledge, none of our directors, officers or stockholders holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

#### Personal Bankruptcies

To the best of our knowledge, none of our directors, officers or stockholders holding a sufficient number of securities to affect materially the control of the Company, nor any personal holding company of any such person has, within the last ten years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

#### Compensation of Directors

Starting in the first quarter of 2010, each member received a cash compensation of \$6,000 for their services as directors or members of committees of our Board. Additionally, there was an additional \$10,000 granted to the Chair of the Board of Directors for the year and an additional \$5,000 granted to the Chair of the Audit Committee for the year. Directors are also reimbursed for their reasonable expenses incurred in attending Board or committee meetings. As more fully set forth under Item 11. "Executive Compensation," our directors have been issued shares of our common stock in consideration for their service on the Board and for their serving on various committees of the Board.

#### Terms of Office

Our directors are appointed for one-year terms to hold office or until the next annual general meeting of the holders of our common stock or until removed from office in accordance with our by-laws. Our directors were approved by our stockholders at the Company's annual meeting held December 17, 2009. The Board appointed Mr. Kennedy as a director in August 2010. Our officers are appointed by our Board and hold office until removed by our Board.



#### Family Relationships

There are no family relationships among our directors and/or officers.

#### Section 16(a) Beneficial Ownership Reporting Compliance

For companies registered pursuant to section 12(g) of the Exchange Act, Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, for the fiscal year ended June 30, 2010, based solely on a review of the copies of reports furnished to us and written representations that no other reports were required, Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with on a timely basis for the period which this report relates.

#### Code of Ethics

The Company has adopted a Code of Ethics that meets the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. Our Code of Ethics can be reviewed on our corporate website located at [www.paramountgold.com](http://www.paramountgold.com). We intend to satisfy the disclosure requirements regarding an amendment to, or a waiver from, a provision of the Code of Ethics by posting such information on our corporate website.

#### ITEM 11. EXECUTIVE COMPENSATION.

Pursuant to General Instruction G(3) of Form 10-K, the information called for by this item is hereby incorporated by reference from our definitive proxy statement for the 2010 Annual Meeting of Shareholders, or amendment hereto to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report under the captions "Compensation of Officers and Directors" and "Board of Directors and Compensation of Directors".

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Pursuant to General Instruction G(3) of Form 10-K, certain information called for by this item is hereby incorporated by reference from our definitive proxy statement for the 2010 Annual Meeting of Shareholders or amendment hereto to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report under the caption "Security Ownership of Certain Beneficial Owners and Management".

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Pursuant to General Instruction G(3) of Form 10-K, certain information called for by this item is hereby incorporated by reference from our definitive proxy statement for the 2010 Annual Meeting of Shareholders or amendment hereto to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report under the caption "Certain Relationships and Related Transactions, and Director Independence".

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

**AUDIT FEES.** The aggregate fees billed for professional services rendered was \$65,000 and \$55,000 for the audit of our annual financial statements for the fiscal years ended June 30, 2010 and 2009 respectively, for the reviews of the

financial statements included in our Forms 10-Q for the fiscal years ended June 30, 2010 and 2009 respectively.

**AUDIT-RELATED FEES.** The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of our financial statements and not reported under the caption "Audit Fee." There were no such fees billed for the fiscal years ended June 30, 2010 and 2009.

**TAX FEES.** No fees were billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning services.

**ALL OTHER FEES.** Other than the services described above, there were no other services provided by our principal accountants for the fiscal years ended June 30, 2010 and 2009.

Our Audit Committee was established in May 2007. In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and us that might bear on the auditors' independence as required by Independence Standards Board Standard No. 1, "Independence."

**Discussions with Audit Committee.** Our Audit Committee discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Audit Committee also discussed with management and the independent auditors the quality and adequacy of its internal controls. The Audit Committee reviewed with the independent auditors their management letter on internal controls.

The Audit Committee discussed and reviewed with the independent auditors all matters required to be discussed by auditing standards generally accepted in the United States of America, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees". The Audit Committee reviewed the audited consolidated financial statements of the Company as of and for the year ended June 30, 2010 with management, the entire Board and with the independent auditors. Management has the responsibility for the preparation of the Company's financial statements and the independent auditors have the responsibility for the examination of those statements. Based on the above-mentioned review and discussions with the independent auditors and management, the entire Board approved the Company's audited consolidated financial statements and recommended that they be included in its Annual Report on Form 10-K for the year ended June 30, 2010, for filing with the SEC.

#### Pre-Approval Policies and Procedures

In accordance with the Audit Committee Charter, all audit (including audit-related) and non-audit services performed by Meyers Norris Penny LLP, as described above, were pre-approved by the Audit Committee, which concluded that the provision of such services by our independent registered public accounting firm was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee Charter authorizes the Audit Committee to appoint a subcommittee of one or more members of the Audit Committee and/or to pre-approve non-audit services by establishing detailed pre-approval policies as to the particular service, provided that the Audit Committee is informed of each service pre-approved (no less frequently than at each meeting of the Audit Committee) and that no pre-approval shall be delegated to Paramount's management except as permitted by applicable law and regulation. In considering whether to pre-approve any non-audit services, the Audit Committee (or its delegates) considers whether the provision of such services is compatible with maintaining the independence of our independent registered public accounting firm.





PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

a. The following report and financial statements are filed together with this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2010 AND 2009

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009 AND CUMULATIVE LOSSES SINCE INCEPTION MARCH 29, 2005 TO JUNE 30, 2010.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009 AND CUMULATIVE SINCE INCEPTION TO JUNE 30, 2009

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY FOR THE YEAR ENDED JUNE 30, 2010

NOTES TO FINANCIAL STATEMENTS

## b. INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Binding Letter Agreement, dated July 20, 2009, between the Company and Klondex Mines Ltd., incorporated by reference to Exhibit 2.1 to Form 8-K filed July 22, 2009
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
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	Arrangement Agreement between the Company and X-Cal Resources Ltd. dated June 22, 2010 and incorporated by reference to Exhibit 2.1 to Form 8-k filed June 25, 2010
23	Consent of Meyers Norris Penny LLP (filed herewith)
24	Power of attorney (see signature page)
<u>31.1</u>	Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
<u>31.2</u>	Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
<u>32.1</u>	Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
<u>32.2</u>	Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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\* Denotes management contract

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ CHRISTOPHER CRUPI  
Christopher Crupi  
President and Chief Executive Officer  
(principal executive officer)

Date: November 5, 2010

By: /s/ CARLO BUFFONE  
Carlo Buffone  
Chief Financial Officer  
(principal financial and accounting  
officer)

Date: November 5, 2010

## POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint Christopher Crupi as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize my attorney-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorney-in-fact and by any properly appointed substitute attorney-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHRISTOPHER CRUPI Christopher Crupi	President and Chief Executive Officer/Director	November 5, 2010
/s/ CARLO BUFFONE Carlo Buffone	Chief Financial Officer	November 5, 2010
/s/ JOHN CARDEN John Carden	Director	November 5, 2010
/s/ RUDI P. FRONK Rudi P. Fronk	Director	November 5, 2010
/s/ ELISEO GONZALEZ-URIEN Eliseo Gonzalez-Urien	Director	November 5, 2010
/s/ MICHEL YVAN STINGLHAMBER Michel Yvan Stinglhamber	Director	November 5, 2010
/s/ ROBERT DINNING Robert Dinning	Director	November 5, 2010
/s/ Christopher Reynolds Christopher Reynolds	Director	November 5, 2010
/s/ Shawn Kennedy	Director	November 5, 2010

Shawn Kennedy

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Index to Consolidated Financial Statements

(Audited)

Year ended June 30, 2010, 2009 and 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Paramount Gold and Silver Corp. (An Exploration Stage Corporation):

We have audited the accompanying consolidated balance sheets of Paramount Gold and Silver Corp. (the "Company") as of June 30, 2010 and 2009, and the related consolidated statements of loss, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2010 and from the date of inception (March 29, 2005) through June 30, 2010. We also have audited the Company's internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2010 and from the date of inception (March 29, 2005) through June 30, 2010 in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

MEYERS NORRIS PENNY LLP

Vancouver, BC  
September 13, 2010

PARAMOUNT GOLD AND SILVER CORP.  
(An Exploration Stage Mining Company)  
Consolidated Balance Sheets (Audited)  
As at June 30, 2010 and June 30, 2009  
(Expressed in United States dollars, unless otherwise stated)

	As at June 30, 2010 (Audited)	As at June 30, 2009 (Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$21,380,505	\$7,040,999
Amounts receivable	1,511,619	221,267
Notes receivable	-	91,365
Equity conversion right (Note 13)	516,545	-
Loan advance (Note 9 and 16)	243,495	-
Prepaid and deposits	45,368	82,583
Term deposit	-	1,063,772
	23,697,532	8,499,986
<b>Long Term Assets</b>		
Mineral properties (Note 7)	22,111,203	18,436,951
Fixed assets (Note 8)	519,446	520,858
	22,630,649	18,957,809
	\$46,328,181	\$27,457,795
<b>Liabilities and Shareholder's Equity</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$430,323	\$383,445
Warrant Liability (Note 2)	5,979,767	-
	6,410,090	383,445
<b>Shareholder's Equity</b>		
Capital stock (Note 5)	110,069	83,018
Additional paid in capital	90,613,573	52,506,278
Contributed surplus	10,825,222	17,969,510
Deficit accumulated during the exploration stage	(61,187,098)	(43,197,264)
Cumulative translation adjustment	(443,675 )	(287,192 )
	39,918,091	27,074,350

\$46,328,181 \$27,457,795

Commitments and Contingencies (Note 13) Restatement (Note 15) Subsequent Events (Note 16)

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 (Audited)

For the Year Ended June 30, 2010 , June 30, 2009 and June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Cumulative Since Inception March 29, 2005 to June 30, 2010
Revenue				
Interest Income	\$ 35,853	\$ 249,082	\$ 457,562	\$ 1,017,962
Expenses:				
Incorporation Costs	—	—	—	1,773
Exploration	6,043,791	2,372,621	8,696,342	23,797,264
Professional Fees	931,404	1,244,792	3,235,090	6,225,054
Directors Compensation	141,224	—	—	141,224
Travel & Lodging	192,642	228,920	429,494	1,049,248
Corporate Communications	332,139	803,186	1,472,081	3,117,098
Consulting Fees	418,437	1,561,084	4,143,664	13,804,820
Office & Administration	429,149	960,700	603,702	2,355,833
Interest & Service Charges	57,644	18,987	11,281	96,842
Loss on disposal of Fixed Assets	—	44,669	—	44,669
Insurance	47,804	76,705	90,701	275,872
Depreciation	66,367	99,010	95,627	296,279
Miscellaneous	18,124	91,592	93,384	203,097
Financing & Listing Fees	—	(12,005)	(3,843)	(22,024)
Acquisition Expenses	1,242,569	—	—	1,242,570
Income and other taxes	51,732	—	—	51,732
Write Down of Mineral Property	275,000	—	—	1,746,049
Total Expense	10,248,026	7,490,261	18,867,523	54,427,400
Net Loss before other item	10,212,173	7,241,179	18,409,961	53,409,438
Other item				
Change in fair value of Equity Conversion Right	821,155	—	—	821,155
Change in fair value of warrant liability	(5,681,370)	—	—	6,956,505
Net Loss	\$ 5,351,958	\$ 7,241,179	\$ 18,409,961	\$ 61,187,098
Other comprehensive loss				
Foreign Currency Translation Adjustment	156,483	267,215	28,389	443,675
Total Comprehensive Loss for the Period	\$ 5,508,441	\$ 7,508,394	\$ 18,438,350	\$ 61,630,773

Loss per Common share

Basic	\$ 0.06	\$ 0.12	\$ 0.38
Diluted	\$ 0.06	\$ 0.11	\$ 0.38

Weighted Average Number of Common

Shares Used in Per Share Calculations

Basic	98,617,938	62,941,467	47,703,566
Diluted	98,617,938	65,433,659	47,703,566

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 (Audited)

For the Year Ended June 30, 2010, June 30, 2009 and June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008	Cumulative since Inception to June 30, 2010
<b>Operating Activities:</b>				
Net Loss	\$(5,351,958 )	\$(7,241,179 )	(18,409,961 )	\$(61,187,098 )
<b>Adjustment for:</b>				
Amortization	66,367	99,010	95,627	296,279
Loss on disposal of assets	—	44,669	—	44,669
Stock based compensation	309,840	1,733,052	6,061,101	16,457,524
Accrued interest	—	(58,875 )	—	(58,875 )
Write-down Mineral Properties	275,000	—	—	1,746,049
Change in fair value of equity conversion right	821,155	—	—	821,155
Change in fair value of warrant liability	(5,681,370 )	—	—	6,956,505
(Increase) Decrease in accounts receivable	(1,290,352 )	1,163,225	(415,594 )	(1,511,619 )
(Increase) Decrease in prepaid expenses	37,215	296,765	(174,298 )	(45,368 )
Increase (Decrease) in accounts payable	46,878	(1,331,175 )	703,254	430,324
<b>Cash used in Operating Activities</b>	<b>(10,767,225 )</b>	<b>(5,294,508 )</b>	<b>(12,139,871 )</b>	<b>(36,050,455 )</b>
<b>Investing Activities:</b>				
Purchase of GIC receivable	1,063,772	—	(1,004,897 )	58,875
Note receivable issued (repaid)	(152,130 )	800,000	(870,000 )	(222,130 )
Purchase of equity conversion right	(1,337,700 )	—	—	(1,337,700 )
Purchase of Mineral Properties	(3,574,252 )	(469,754 )	(1,040,308 )	(6,918,809 )
Purchase of Equipment	(64,955 )	(340,000 )	(179,114 )	(890,873 )
<b>Cash used in Investing Activities</b>	<b>(4,065,265 )</b>	<b>(9,754 )</b>	<b>(3,094,319 )</b>	<b>(9,310,637 )</b>
<b>Financing Activities:</b>				
Demand notes payable issued	—	—	—	105,580
Issuance of capital stock	29,328,480	9,399,256	2,250,000	67,124,640
<b>Cash from Financing Activities:</b>	<b>29,328,480</b>	<b>9,399,256</b>	<b>2,250,000</b>	<b>67,230,220</b>
Effect of exchange rate changes on cash	(156,484 )	(253,843 )	(47,350 )	(488,623 )
<b>Increase (Decrease) in Cash</b>	<b>14,339,506</b>	<b>3,841,151</b>	<b>(13,031,540)</b>	<b>21,380,505</b>
Cash, beginning	7,040,999	3,199,848	16,231,388	—
<b>Cash, ending</b>	<b>\$21,380,505</b>	<b>\$7,040,999</b>	<b>3,199,848</b>	<b>\$21,380,505</b>

Supplemental Cash Flow Disclosure:

Interest Received	\$35,853	—	7,642
Cash	2,723,992	180,225	1,679,114
Short term investments	18,656,513	6,887,139	17,752,121

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 Statement of Stockholders' Equity (Audited)

For the Period Ended June 30, 2010, June 30, 2009 and June 30, 2008

(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
	16,200,000	16,200	13,140,250	—	—	—	13,156,450



Capital issued for mineral 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
Capital issued for financing	18,400,000	18,400	21,371,043	—	—	—	21,389,443
Capital issued from stock options and warrants exercised	8,351,36060	8,351	12,830,936	—	(4,900,251 )		7,939,036
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)	—	—	3,530,616	(12,637,875)	(2,553,878 )	—	(11,661,137)
Foreign currency translation	—	—	—	—	—	(156,483 )	(156,483 )
Net Income (loss)	—	—	—	(5,351,958 )	—	—	(5,351,958 )
Balance at June 30, 2010	110,069,579	110,069	90,613,573	(61,187,098)	10,825,222	(443,675 )	39,918,091

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(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 and Compania Minera Paramount SAC. 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 consolidated financial statements are prepared by management in accordance with U.S generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

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.

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)

(Audited)

For the Year Ended June 30, 2010

(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.

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)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 2. Principal Accounting Policies (Continued):

## 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

## 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.

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)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

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. 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.

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. 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.



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)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

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).

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 accompanying notes are an integral part of the consolidated financial statements

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 2. Principal Accounting Policies (Continued):

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 June 30, 2010			June 30, 2009
		Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash equivalents	21,380,505	21,380,505	-	-	7,040,999
Accounts receivable	1,511,619	1,511,619	-	-	221,267
Notes receivable	-	-	-	-	91,365
Loan Advance	243,495	243,295	-	-	-
GIC	-	-	-	-	1,063,772
Equity Conversion Right	516,545	516,545	-	-	-
<b>Liabilities</b>					
Warrant liability	5,979,767			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 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:

	June 30, 2010
Risk free interest rate	0.61%
Expected life of warrants and options	1-2 years
Expected stock price volatility	85%

Expected dividend yield 0%

The changes in fair value of the warrants during the year ended June 30, 2010 were as follows:

Balance at July 1, 2009	16,250,740
Issuance of warrants and options	-
Change in fair value recorded in earnings	(5,681,370)
Transferred to equity upon exercise	(4,589,603)
Balance at June 30, 2010	5,979,767

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

PARAMOUNT GOLD AND SILVER CORP.  
 (An Exploration Stage Mining Company)  
 Notes to Consolidated financial statements (Continued)  
 (Audited)  
 For the Year Ended June 30, 2010  
 (Expressed in United States dollars, unless otherwise stated)

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## 2. Principal Accounting Policies (Continued):

### Accounting Standards Adopted

#### (i) 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.

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.

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)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

(ii) Business Combinations

In December 2007, the FASB issued FASB ASC 805 (revised 2007), "Business Combinations" ("ASC 805"). ASC 805 significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, pre acquisition contingencies, transaction costs, in-process research and development, and restructuring costs. In addition, under ASC 805, changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. ASC 805 is effective for fiscal periods beginning after December 15, 2008. The Company has adopted ASC 805 on July 1, 2009. This standard will change the accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued ASC 810, "No controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51" ("ASC 810"), 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 non 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 clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. ASC 810 is effective for fiscal periods beginning after December 15, 2008. The Company has adopted ASC 810 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) Accounting Standards Codification

In July 2009, the FASB issued ASC 105-20-05, "FASB Accounting Standards Codification" ("ASC 105-10-05"), 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 ASC 105-10-05. All other accounting literature not included in the Codification is non-authoritative. Management is currently evaluating the impact of the adoption of ASC 105-10-05 but does not expect the adoption of ASC 105-10-05 to impact the Company's results of operations, financial position, or cash flows.

(iv) Financial Guarantee Insurance Contracts

In May 2008, the FASB issued ASC 460, "Accounting for Financial Guarantee Insurance Contracts - an interpretation of FASB Statement No. 60." ASC 460 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. ASC 460 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. Adoption of this standard did not have an impact on the Company's results of operations, financial position, or cash flows.

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

(v) Subsequent Events

In May 2009, the FASB issued ASC 855, "Subsequent Events," which establishes general standards for accounting for, and disclosures 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 and whether that date represents the date the financial statements were issued or were available to be issued. ASC 855 is effective with interim and annual financial periods ending after June 15, 2009. The Company adopted ASC 855 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) Convertible Debt Instruments

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.

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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2. Principal Accounting Policies (Continued):

(vii) ASC 820-10-65

During the second quarter of 2009, the FASB issued FASB ASC 820-10-65, (Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly). FASB ASC 820-10-65:

Affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction.

Clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active.

Eliminates the proposed presumption that all transactions are distressed (not orderly) unless proven otherwise. FASB ASC 820-10-65 instead requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence.

Includes an example that provides additional explanation on estimating fair value when the market activity for an asset has declined significantly.

Requires an entity to disclose a change in valuation technique (and the related inputs) resulting from the application of FASB ASC 820-10-65 and to quantify its effects, if practicable.

Applies to all fair value measurements when appropriate.

FASB ASC 820-10-65 must be applied prospectively and retrospective application is not permitted. FASB ASC 820-10-65 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FASB ASC 820-10-65 must also early adopt FASB ASC 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairments. The adoption of FASB ASC 820-10-65 had no impact on the company's consolidated operating results, financial position, or cash flows.

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 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 will adopt 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.

## 4. Non-Cash Transactions:

During the years ended June 30, 2010, 2009 and 2008, the Company entered into certain non-cash activities as follows:

	2010	2009	2008
<b>Operating and Financing Activities</b>			
From issuance of shares for consulting and geological services	\$-	\$684,617	\$1,594,352
From issuance of shares for cashless exercise of options	\$1,596,896	\$237,008	
From issuance of shares for mineral property	\$375,000	\$13,228,450	\$490,000

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 5. Capital Stock:

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

During year ended June 30, 2010, the Company issued a total of 27,051,360 common shares which are summarized as follows:

	Common Shares		
	2010	2009	2008
Financing	18,400,000	16,707,791	1,000,000
Acquisition of mineral properties	300,000	16,200,000	268,519
For exercise of warrants and options	8,351,360	-	
For services	-	1,184,804	770,000
	27,051,360	34,092,595	2,038,519

During the three month period ended June 30, 2010, the company issued 3,000,000 shares for the exercise of warrants at \$1.05 CAD per share and 596,525 shares for the exercise of options at \$0.65 for a total of 3,596,525 shares.

During the three month period ended March 31, 2010, the company issued 3,636,362 shares for the exercise of warrants at \$1.25 CAD per share and 444,065 shares for the exercise of options at \$0.65 for a total of 4,080,427 shares and 487,161 shares for the exercise of options at \$0.65.

The Company completed a financing during the quarter ending December 31, 2009 and issued 18,400,000 common shares at \$1.25 per share. The Company also issued 300,000 shares at \$1.25 per shares for the acquisition of a mineral property and 181,818 shares for the exercise of warrants at \$0.95 per share.

During the three month period ended September 30, 2009, 5,429 shares were issued as a result of the exercise of options at \$0.65.

The following share purchase warrants and agent compensation warrants were outstanding at June 30, 2010:

	Exercise price in CAD	Exercise price in USD at June 30, 2010	Number of warrants	Remaining contractual life (years)
Warrants *	\$1.05	\$0.99	9,000,000	2.66
Agent compensation warrants *	\$1.05	\$0.99	840,000	2.66
Warrants*	\$2.50	\$2.36	35,715	0.10
Outstanding and exercisable at June 30, 2010			9,875,715	

\* Strike price of warrant contract in Canadian dollars. At June 30, 2010 \$1.00 USD = \$1.0606 CAD.

	June 30, 2010	June 30, 2009
Risk free interest rate	0.61%	0.40% - 1.78%
Expected life of warrants	1-2 years	1-2 years
Expected stock price volatility	85%	58% - 110%
Expected dividend yield	0%	0%

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

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## 6. Related Party Transactions:

During the year ended June 30, 2010, directors received payments in the amount of \$484,758 (2009: \$478,939).

During the year ended June 30, 2010 the Company made payments of \$91,469 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:

	2010	2009
Vidette Lake – Canada	\$-	\$275,000
Temoris	4,074,754	4,074,754
Iris Royalty	50,000	50,000
Morelos	100,000	100,000
San Miguel Project	17,855,824	13,906,572
Andrea	20,625	20,625
Peru	10,000	10,000
	\$22,111,203	\$18,436,951

## a. San Miguel Project

During the year ended June 30, 2010, the Company acquired the legal and beneficial interest to 12 mining concessions in the Guazaparez municipality in the state Chihuahua, Mexico for a cash consideration of \$3,700,000 and issued 300,000 shares of its common stock at \$1.25 per share for a consideration of \$375,000 for a total consideration of \$4,075,000.

## b. Vidette Lake, Canada

During the period ended December 31, 2009, the Company terminated its option to acquire the Vidette Lake Gold Mine and the related costs totaling \$275,000 were written off in the consolidated statement of operations.

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

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## 8. Fixed Assets:

	Cost	Accumulated Amortization	Net Book Value	
			2010	2009
Property and Equipment	\$766,341	\$ 246,895	\$519,446	\$520,858

During the year ended June 30, 2010, total additions to property, plant and equipment were \$64,956 (2009- \$340,962). During the year ended June 30, 2010 the Company recorded depreciation of \$66,368.

## 9. Loan Advance:

During the year ended June 30, 2010, the Company advanced X-Cal Resources Ltd. pursuant to a Loan Agreement (Note 16) entered into between the two parties, for the amount of \$243,495.

## 10. Investments:

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.

The Company also holds 400,000 shares of common stock of Garibaldi Resources Corp. It has not recorded these shares in its financial statements because it cannot determine if there is any net realizable value until the shares have been liquidated.

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



## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

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For the Year Ended June 30, 2010

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## 11. 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 for the period by geographical segment for the year ended June 30, 2010:

	United States/ Canada	Mexico / Latin America	Total
Interest income	\$35,779	\$74	\$35,853
Expenses:			
Exploration	640,045	5,403,746	6,043,791
Professional fees	930,926	478	931,404
Directors compensation	141,224	-	141,224
Travel and lodging	192,642	-	192,642
Corporate communications	332,139	-	332,139
Consulting fees	418,437	-	418,437
Office and administration	310,371	118,778	429,149
Interest and service charges	53,818	3,826	57,644
Loss on Disposal of Assets	-	-	-
Insurance	47,804	-	47,804
Amortization	18,661	47,706	66,367
Acquisition Expenses	1,242,569	-	1,242,569
Miscellaneous	18,124	-	18,124
Write off of mineral property	275,000	-	275,000
Income and other taxes	51,732	-	51,732
Total Expenses	4,673,492	5,574,534	10,248,026
Net loss	\$4,637,713	\$5,574,460	\$10,212,173

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 11. Segmented Information (Continued):

Loss for the period by geographical segment for the year ended June 30, 2009:

	United States	Mexico / Latin America	Total
Interest income	\$ 194,636	\$ 54,446	\$ 249,082
Expenses:			
Exploration	960,547	1,412,074	2,372,621
Professional fees	1,217,815	26,977	1,244,792
Travel and lodging	228,920	-	228,920
Corporate communications	803,186	-	803,186
Consulting fees	1,561,084	-	1,561,084
Office and administration	303,941	656,759	960,700
Interest and service charges	17,540	1,447	18,987
Loss on Disposal of Assets	—	44,669	44,669
Insurance	54,493	22,212	76,705
Depreciation	45,501	53,509	99,010
Miscellaneous	91,592	-	91,592
Financing & Listing Fees	(12,005 )	-	(12,005 )
Total Expenses	5,272,614	2,217,647	7,490,261
Net loss	\$ 5,077,978	\$ 2,163,201	\$ 7,241,179

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

	United States	Mexico / Latin America	Total
Interest income	\$ 454,240	\$ 3,322	\$ 457,562
Expenses:			
Exploration	(137,739 )	8,834,081	8,696,342
Professional fees	3,234,674	416	3,235,090
Travel and lodging	429,494	-	429,494
Corporate communications	1,472,081	-	1,472,081
Consulting fees	4,143,664	-	4,143,664
Office and administration	468,509	135,193	603,702
Interest and service charges	7,752	3,529	11,281
Loss on Disposal of Assets	—	—	—
Insurance	68,222	22,479	90,701

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Depreciation	34,138	61,489	95,627
Miscellaneous	93,384	-	93,384
Financing & Listing Fees	(3,843 )	-	(3,843 )
Total Expenses	9,810,336	9,057,187	18,867,523
Net loss	\$ 9,355,596	\$ 9,053,865	\$ 18,409,461

11. Segmented Information (Continued):

Assets by geographical segment:

	United States/ Canada	Mexico / Latin America	Total
<b>June 30, 2010</b>			
Mineral properties	\$-	\$22,111,203	\$22,111,203
Equipment	125,825	393,621	519,446
<b>June 30, 2009</b>			
Mineral properties	-	18,436,951	18,436,951
Equipment	\$125,908	\$394,950	\$520,858

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

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(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 12. Employee Stock Option Plan:

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:

	June 30, 2010	June 30, 2009
Risk free interest rate	.046% - 1.64%	0.50% - 0.91%
Expected dividend yield	0%	0%
Expected stock price volatility	87% - 120%	121% - 123%
Expected life of options	3 years	1 to 2 years

Changes in the Company's stock options for the year ended June 30, 2010 are summarized below:

Options	Number	Weighted Avg. Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, beginning of period	4,532,000	\$0.78		
Issued	300,000	1.60		
Cancelled / Expired	185,000	1.46		
Exercised	1,862,000	0.65		
Outstanding at June 30, 2010	2,785,000	\$0.91	2.4	\$1,261,750
Exercisable at June 30, 2010	1,952,748	\$0.66	2.1	\$1,257,750

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



PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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12. Employee Stock Option Plan (Continued):

At June 30, 2010, there were 2,785,000 options outstanding. Options outstanding above that have not been vested at year end is 831,252 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 year ended June 30, 2010 the Company recognized stock based compensation expense in the amount of \$309,840 (2009 - \$1,733,052).

13. Commitments and Contingencies

Klondex Mines Ltd.:

On October 2, 2009, the Company filed a statement of claim in the Supreme Court of British Columbia, Canada, naming Klondex Mines Ltd as a defendant in connection with the termination by Klondex of the binding Letter Agreement dated July 20, 2009 whereby Klondex agreed to be acquired by Paramount on the basis of 1.45 shares of Paramount common stock for each common share of Klondex. The Statement of Claim alleges Klondex acted in bad faith and in breach of the Agreement along with damages for breach of contract and, in addition, damages for malicious falsehood and defamation.

On June 22, 2010, the Company released Klondex Mines Ltd. from all claims, including those pertaining to the litigation filed in the British Columbia Supreme Court.

SNS Silver Corp.

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.

At December 31, 2009, the company recorded the Equity Conversion Right as an asset in the amount of \$1,337,700 (\$1,400,000 CAD).

At June 30, 2010, the fair value of the Equity Conversion Right was \$516,545. As a result, the Company recorded a loss related to the change in fair value of the Equity Conversion Right of \$821,155 on the Consolidated Statements of Operations for the year ended June 30, 2010.

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

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13. Commitments and Contingencies (Continued):

X-Cal Resources Ltd.

On June 22, 2010, the Company entered into an arrangement agreement (the "Arrangement") with X-Cal Resources Ltd. ("X-Cal") to acquire all the common shares of X-Cal in exchange for shares of common stock of the Company.

Pursuant to the definitive agreement, eight (8) X-Cal shares will be exchanged for one (1) Company share (the "Exchange Ratio").

All purchase stock warrants of X-Cal at the time of the transaction will be exchanged for 0.125 purchase stock warrants of the Company ("Paramount Replacement Warrants"). Each Paramount Replacement Warrant (i) having an exercise price equal to the quotient of (A) the exercise price per X-Cal Share subject to such X-Cal Warrant divided by (B) the Exchange Ratio; (ii) the Exchange Ratio; (ii) expiring at the end of the term of the relevant X-Cal Warrant; and (iii) otherwise having the same terms and conditions as such X-Cal Warrant.

Each issued and outstanding X-Cal incentive stock option will be terminated and substituted with 0.125 stock options of Paramount option plan ("Paramount Replacement Options") will be issued under the Paramount stock option plan to the person who held such X-Cal option prior to the effective date of the Arrangement. Each Paramount Replacement Option issued will have (i) having an exercise price equal to the quotient of (A) the exercise price per X-Cal Share subject to such X-Cal Options divided by (B) the Exchange Ratio; and (ii) expiring at the end of the term of the relevant X-Cal Option.

As of June 22, 2010, the following X-Cal securities were outstanding:

- i. 167, 548,439 X-Cal Shares
- ii. X-Cal Options to acquire and aggregate of 10,215, 000 X-Cal shares; and
- iii. X-Cal Warrants to acquire an aggregate of 8,461,539 X-Cal Shares.

X-Cal is seeking shareholder approval of the Arrangement at the X-Cal shareholder meeting to be held on or about August 19, 2010. Upon completion of the Arrangement X-Cal will become a wholly-owned subsidiary of the Company.

In connection to the Arrangement, the Company and X-Cal have entered into an agreement (the "Loan Agreement") dated June 22, 2010 where Paramount has agreed to provide a loan facility in the amount of \$1.100,000 (the "Loan") to X-Cal. The Loan is unsecured, is to be made in a series of advances and bears no interest except in the following circumstances:

- a) in the event the Arrangement Agreement is terminated:

- i.



- because X-Cal accepts and enters into an agreement in respect of a superior proposal, the Loan, together with all accrued and unpaid interest calculated from the date of the advance at an effective rate of 8% per annum, shall be repayable within 10 business days following the date the Arrangement Agreement is terminated;
- ii. as a result of X-Cal shareholders failing to approve the special resolution to adopt the Arrangement, the Loan, together with all accrued and unpaid interest calculated from the date of advance at an effective rate of 8% per annum, shall be repayable within 45 days of the date of the X-Cal shareholder meeting to be held to, among other things, approve the Arrangement or
- iii. for any reason other than as set out in (a)(i) or (ii) above, the Loan, together with all accrued and unpaid interest calculated from the date of advance at an effective rate of 8% per annum, shall be repayable on or before December 31, 2010; and

### 13. Commitments and Contingencies (Continued):

- b) in the event that the loan is not repaid when due, the interest rate in default shall thereafter increase to an effective rate of 24% per annum.

### Litigation

In April 2010, the Company learned that Danny Sims and Sims Geological and Geotechnical Services LLC, a former contractor for the company, filed an action against the Company in the United States District Court for the District of Arizona on the date of February 22, 2010. The Company believes the amount of the claim is indeterminable and believes there is no basis for the claim or allegations made by the plaintiff and will defend itself to the fullest possible extent.

### 14. Income taxes:

At June 30, 2010, the Company has unused tax loss carry forwards in the United States of \$17,769,298 (2009 - \$12,361,729, 2008 - \$9,266,469) expiring between the years 2026 and 2030 which are available to reduce taxable income. As at June 30, 2010 the Company as unused tax loss carry forwards in Mexico and Peru of \$24,633,228 (2009 - \$18,106,804, 2008 - \$16,945,112) which are available to reduce taxable income. The tax effects of the significant components within the Company's deferred tax asset (liability) at June 30, 2010 are as follows:

	2010	2009	2008
<b>United States</b>			
Loss carry forwards	5,330,789	3,719,009	2,779,941
Other	(154,964)	-	
Property, plant and equipment	27	30,986	24,007
<b>Mexico</b>			
Loss carry forwards	5,774,259	4,226,860	3,673,779
Property, plant and equipment	56,134	21,627	8,117
<b>Peru</b>			
Loss carry forwards	1,203,263	1,203,263	1,147,342
Property, plant and equipment		---	6,451
Valuation allowance	(12,209,509)	(9,201,745)	(7,639,637)
Net deferred tax asset	—	—	—

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



## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 14. Income taxes (Continued):

The income tax expense differs from the amounts computed by applying statutory tax to pre-tax losses as a result of the following:

	2010	2009	2008
Loss before income taxes	(5,351,958)	(7,242,179)	(18,409,960)
Statutory tax rate	30 %	30 %	30 %
Effective tax rate		—	—
Expected recovery at statutory tax rate	(1,605,587)	(2,172,354)	(5,522,988 )
Adjustments to benefits resulting from:			
Impact of lower tax rate in subsidiaries	106,980	24,568	177,186
Permanent differences	(1,509,157)	624,269	1,818,330
Terminal loss on disposal of asset	--	(28,100 )	—
Valuation allowance	3,007,764	1,551,618	3,527,472
Provision for income taxes	—	—	—

Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

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

## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 15. Restatement:

As a result of reclassifications of certain expense categories for the year ended June 30, 2010, we have restated the Statement of Operations for the year ended June 30, 2009 for comparative purposes.

	For the Year Ended	
	As	
	Previously	
	Reported	As Restated
	June 30,	June 30,
	2009	2009
Revenue		
Interest Income	\$249,082	\$249,082
Expenses:		
Incorporation Costs	-	-
Exploration	1,548,330	2,372,621
Professional Fees	1,244,792	1,244,792
Directors Compensation	-	-
Travel & Lodging	228,920	228,920
Geologist Fees and Expenses	824,291	-
Corporate Communications	260,907	803,186
Consulting Fees	1,561,084	1,561,084
Marketing	542,279	-
Office & Administration	881,726	960,700
Interest & Service Charges	18,987	18,987
Loss on disposal of Fixed Assets	44,669	44,669
Insurance	76,705	76,705
Depreciation	99,010	99,010
Rent	78,974	-
Miscellaneous	91,592	91,592
Financing & Listing Fees	(12,005 )	(12,005 )
Acquisition Expenses	-	-
Income and Other Taxes	-	-
Write Down of Mineral Property	-	-
Total Expense	7,490,261	7,490,261
Net Loss	7,241,179	7,241,179
Other comprehensive loss		
Foreign Currency Translation Adjustment	267,215	267,215
Total Comprehensive Loss for the Period	\$7,508,394	\$7,508,394

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Basic Income(Loss) per Common Share	0.12	0.12
Diluted Income (Loss) per Common Share	0.11	0.11
Weighted Average Number of Common Shares Used in Per Share Calculations		
- Basic	62,941,467	62,941,467
- Diluted	65,423,659	65,423,659

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)

(Audited)

For the Year Ended June 30, 2010

(Expressed in United States dollars, unless otherwise stated)

## 16. Subsequent Events:

Subsequent events have identified as of September 22, 2010.

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 will receive 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 176,009,978 issued and outstanding shares of common stock. Holders of these shares will receive a total of 22,001,247 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 revenue and net loss of the combined entity had the acquisition date been June 30, 2009 are as follows:

	Revenue	Net Loss
Supplemental pro forma from 07/01/2008 to 06/30/2009	\$327,363	\$8,558,664

We could not provide the revenue and net loss amounts as if the acquisition date had been June 30, 2010 due to the insufficient time to convert X-Cal Resources Ltd financial statements to US GAAP without great effort or expense.

The following represents the preliminary allocation of cost of acquisition:

Shares eligible for conversion	176,009,978
Common stock exchange ratio per share	0.125
Equivalent new shares issued (par value \$0.01)	22,001,247
Paramount common stock price on August 20, 2010	\$1.31
Total preliminary purchase price (common stock)	28,821,634
Estimated fair value of options issued	197,323
Total preliminary purchase price	\$29,018,957

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

## 16. Subsequent Events (Continued):

The following represents the allocation of the total purchase price based on management's preliminary valuation:

Total preliminary purchase consideration	\$29,018,957
Less historical X-Cal net assets acquired:	
Cash and equivalents	176,672
Prepaid insurance	1,179,596
Reclamation bond	2,872,443
Fixed assets	34,722
Mineral property interests	25,921,944
Other assets	69,217
Accounts payable	(150,208 )
Reclamation and enviromental obligations	(1,085,429 )
X-Cal net assets acquired	\$29,018,957

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