

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A-1

(Mark One)

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

For the quarterly period ended December 31 2009

OR

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

For the transition period from _____ to _____

Paramount Gold and Silver Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-51600
(Commission File Number)

20-3690109
(I.R.S. Employer
Identification No.)

665 Anderson Street, Winnemucca,
Nevada, 89445

(Address of Principal Executive
Office) (Zip Code)

(775) 625-3600
(Issuer's telephone number, including
area code)

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of

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the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days. Yes No

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

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date:

132,247,814 shares of Common Stock, \$.001 par value as of October 31, 2010

Explanatory Note

Paramount Gold and Silver Corp. (the "Company") is filing this Amendment No. 1 on Form 10-Q/A to amend its Quarterly Report on Form 10-Q for the period ended December 31, 2009, as filed with the Securities and Exchange Commission on February 12, 2010 (the "Original Filing"). The Company is filing this amendment to its Original Filing to reflect the following changes:

1. Consolidated Statement of Operations: Allocated stock based compensation to type of expense incurred
2. Consolidated Statement of Operations: Recomputed Basic and Diluted Loss per Share to reflect shares issued that are held in escrow
3. Consolidated Balance Sheets and Consolidated Statement of Operations: Recorded the fair value of an earned option to receive shares in an arms-length company.
4. Consolidated Balance Sheets, Consolidated Statement of Operations, Consolidated Statement of Cash Flows and Consolidated Statement of of Stockholder's Equity: Adopted amended provisions of ASC 815. Warrants and Options issued with exercise prices denominated in Canadian dollars are now recorded as liabilities whereas they were previously recorded as equity.
5. Corresponding Management Discussion and Analysis has been amended to reflect the changes to the Company's Financial Statements that have been amended by this Form 10-Q/A.

These restatements are further described in our Notes to the Consolidated Financial Statements (Note 15).

Except as indicated above, no other information included in the Original Filing is amended by this Form 10-Q/A Amendment No. 1.

Paramount Gold and Silver Corp.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Financial Statements
(Unaudited)
Period ended December 31, 2009 and 2008

1

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Balance Sheets (Unaudited)
As at December 31, 2009 and June 30, 2009
(Expressed in United States dollars, unless otherwise stated)

| | As at December 31, 2009 (Unaudited) (Restated) | As at June 30, 2009 (Audited) |
|--|--|--|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 19,095,311 | \$7,040,999 |
| Amounts receivable | 473,052 | 221,267 |
| Notes Receivable (Note 9) | - | 91,365 |
| Equity conversion right (Note 13) | 1,337,700 | |
| Prepaid and Deposits | 51,971 | 82,583 |
| Term deposit | 1,053,811 | 1,063,772 |
| | 22,011,845 | 8,499,986 |
| Long Term Assets | | |
| Mineral properties (Note 7) | 22,111,203 | 18,436,951 |
| Fixed assets (Note 8) | 517,661 | 520,858 |
| | 22,628,864 | 18,957,809 |
| | \$ 44,640,709 | \$27,457,795 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 287,240 | \$383,445 |
| Warrant Liability (Note 2) | 13,333,127 | - |
| | 13,620,367 | 383,445 |
| Stockholders' Equity | | |
| Capital stock (Note 5) | 102,392 | 83,018 |
| Additional paid in capital | 74,596,812 | 52,506,278 |
| Contributed surplus | 14,591,970 | 17,969,510 |
| Deficit accumulated during the exploration stage | (58,041,906) | (43,197,264) |
| Cumulative translation adjustment | (228,926) | (287,192) |

| | |
|---------------|---------------|
| 31,020,342 | 27,074,350 |
| \$ 44,640,709 | \$ 27,457,795 |

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Operations (Unaudited)

(Expressed in United States dollars, unless otherwise stated)

| | Three Month Period Ended December 31, 2009 (Restated) | Six Month Period Ended December 31, 2009 (Restated) | Three Month Period Ended December 31, 2008 (Restated) | Six Month Period Ended December 31, 2008 (Restated) | Cumulative Since Inception March 29, 2005 to December 31, 2009 (Restated) |
|---|---|---|---|---|--|
| Revenue | | | | | |
| Interest Income | \$ - | \$ 66,309 | \$ 52,930 | \$ 150,207 | \$ 1,036,623 |
| Expenses: | | | | | |
| Incorporation Costs | - | - | - | - | 1,773 |
| Exploration | 1,538,070 | 2,616,569 | 486,295 | 2,335,334 | 20,370,042 |
| Professional Fees | 167,442 | 407,374 | 173,597 | 408,573 | 5,701,023 |
| Travel & Lodging | 64,986 | 87,110 | 41,385 | 114,338 | 943,716 |
| Corporate Communications | 46,564 | 86,190 | 202,839 | 458,125 | 2,871,148 |
| Consulting Fees | 111,816 | 345,998 | 224,708 | 552,879 | 13,732,381 |
| Office & Administration | 71,827 | 152,764 | 266,245 | 582,634 | 2,079,447 |
| Interest & Service Charges | 32,115 | 50,347 | 1,452 | 3,991 | 77,751 |
| Loss on disposal of Fixed Assets | - | - | - | 44,669 | 44,669 |
| Insurance | 11,367 | 25,511 | 20,626 | 48,819 | 253,579 |
| Depreciation | 16,614 | 31,265 | 24,930 | 52,278 | 261,177 |
| Miscellaneous | (30,118) | (25,103) | (990) | (2,738) | 159,873 |
| Financing & Listing Fees | 77,484 | 77,484 | 12,525 | 12,525 | 55,460 |
| Acquisition Expenses | 695,721 | 1,060,180 | - | - | 1,060,179 |
| Write Down of Mineral Property | 275,000 | 275,000 | - | - | 1,746,049 |
| Total Expense | 3,078,888 | 5,190,689 | 1,453,612 | 4,611,427 | 49,358,267 |
| Net Loss before other item | 3,078,888 | 5,124,380 | 1,400,682 | 4,461,220 | 48,321,644 |
| Other item | | | | | |
| Change in fair value of warrant liability | 170,674 | (2,917,613) | - | - | 9,720,262 |
| Net Loss | 3,249,562 | 2,206,767 | 1,400,682 | 4,461,220 | 58,041,906 |
| Other comprehensive loss (income) | | | | | |
| Foreign Currency Translation Adjustment | (47,603) | (58,266) | 192,598 | 224,892 | 228,926 |
| Total Comprehensive Loss for the Period | \$ 3,201,959 | \$ 2,148,501 | \$ 1,593,280 | \$ 4,686,112 | \$ 58,270,832 |
| Loss per Common Share | | | | | |
| Basic | \$ 0.03 | \$ 0.02 | \$ 0.02 | \$ 0.08 | |
| Diluted | \$ 0.03 | \$ 0.02 | \$ 0.02 | \$ 0.08 | |

Weighted Average Number of
Common Shares Used in Per Share
Calculations

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 94,264,765 | 86,394,206 | 57,674,756 | 55,148,086 |
| Diluted | 98,764,765 | 90,894,206 | 57,674,756 | 55,148,086 |

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

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in United States dollars, unless otherwise stated)

| | For the Six Month Period Ended December 31, 2009 (Restated) | For the Six Month Period Ended December 31, 2008 | Cumulative Since Inception to December 31, 2009 (Restated) |
|---|--|--|---|
| Operating Activities: | | | |
| Net Loss | \$ (2,206,767) | \$ (4,462,220) | \$ (58,041,906) |
| Adjustment for: | | | |
| Depreciation | 31,265 | 53,278 | 261,177 |
| Allowance for doubtful accounts | - | 172,170 | 172,170 |
| Loss on disposal of assets | - | 44,669 | 44,669 |
| Write down on mineral property | 275,000 | - | 275,000 |
| Stock based compensation | 209,191 | 547,153 | 17,827,923 |
| Accrued interest | - | (21,364) | (58,875) |
| Change in fair value of warrant liability | (2,917,613) | - | 9,720,262 |
| (Increase) Decrease in accounts receivable | (251,785) | 946,537 | (620,394) |
| (Increase) Decrease in prepaid expenses | 30,612 | 196,075 | 129,451 |
| Increase (Decrease) in accounts payable | (96,205) | (391,563) | 55,219 |
| Cash used in Operating Activities | (4,926,302) | (2,915,265) | (30,235,304) |
| Investing Activities: | | | |
| Purchase of GIC receivable | - | (16,384) | (1,004,897) |
| Note receivable | 91,365 | (500,000) | (3,253,192) |
| Purchase of equity conversion right | (1,337,700) | - | (1,337,700) |
| Purchase of Mineral Properties | (3,574,251) | (112,000) | (4,400,168) |
| Purchase of Equipment | (28,068) | (343,443) | (98,068) |
| Cash used in Investing Activities | (4,848,654) | (971,827) | (10,094,025) |
| Financing Activities: | | | |
| Increase (decrease) in demand notes payable | - | - | 105,580 |
| Issuance of capital stock | 21,761,042 | 2,859,676 | 59,557,202 |
| Cash from Financing Activities: | 21,761,042 | 2,859,676 | 59,662,782 |
| Effect of exchange rate changes on cash | 68,226 | (88,954) | (238,142) |
| Increase (Decrease) in Cash | 12,054,312 | (1,116,370) | 19,095,311 |

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| | | | |
|------------------------------------|---------------|--------------|---------------|
| Cash, beginning | 7,040,999 | 3,199,848 | - |
| Cash, ending | \$ 19,095,311 | \$ 2,083,478 | \$ 19,095,311 |
| Supplemental Cash Flow Disclosure: | | | |
| Interest Received | \$ 7,642 | \$ 36,994 | 7,642 |
| Taxes Paid | - | - | - |
| Cash | 2,066,115 | 1,687,439 | 2,066,115 |
| Short term investments | 17,021,554 | 394,883 | 17,021,554 |

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

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Statement of Stockholders' Equity (Unaudited)
For the Six Months Period Ended December 31, 2009
(Expressed in United States dollars, unless otherwise stated)

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

| | | | | | | | |
|-----------------|------------|--------|------------|--------------|------------|------------|--------------|
| Net Income | | | | | | | |
| (loss) | - | - | - | (7,241,179) | - | - | (7,241,179) |
| Balance at June | | | | | | | |
| 30, 2009 | 83,018,219 | 83,018 | 52,506,278 | (43,197,264) | 17,969,510 | (287,192) | 27,074,350 |

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

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Statement of Stockholders' Equity (Unaudited)
For the Six Months Period Ended December 31, 2009
(Expressed in United States dollars, unless otherwise stated)

| | Shares | Par Value | Capital in Excess of Par Value | Accumulated Earnings (Deficiency) (Restated) | Contributed Surplus (Restated) | Cumulative Translation Adjustment | Total Stockholders' Equity (Restated) |
|--|------------|-----------|---|---|--------------------------------------|---|--|
| Balance at June 30, 2009 | 83,018,219 | 83,018 | 52,506,278 | (43,197,264) | 17,969,510 | (287,192) | 27,074,350 |
| Capital issued from stock options exercised | 5,429 | 5 | 3,524 | - | (3,529) | - | - |
| Stock based compensation | - | - | - | - | 161,975 | - | 161,975 |
| Transition Adjustment (Note 2) | - | - | - | (12,637,875) | (3,612,865) | - | (16,250,740) |
| Foreign currency translation | - | - | - | - | - | 10,663 | 10,663 |
| Net Income (loss) | - | - | - | 1,042,795 | - | - | 1,042,795 |
| Balance at September 30, 2009 | 83,023,648 | 83,023 | 52,509,802 | (54,792,344) | 14,515,091 | (276,529) | 12,039,043 |
| Capital issued for financing | 18,400,000 | 18,400 | 21,371,043 | - | - | - | 21,389,443 |
| Capital issued for mineral properties | 300,000 | 300 | 374,700 | - | - | - | 375,000 |
| Capital issued from stock options and warrants exercised | 668,979 | 669 | 341,267 | - | 29,663 | - | 371,599 |
| Stock based compensation | - | - | - | - | 47,216 | - | 47,216 |
| Foreign currency translation | - | - | - | - | - | 47,603 | 47,603 |
| | - | - | - | (3,249,562) | - | - | (3,249,563) |

| | | | | | | | |
|------------------------------------|-------------|---------|------------|--------------|------------|------------|------------|
| Net Income (loss) | | | | | | | |
| Balance at December 31, 2009 | 102,392,627 | 102,392 | 74,596,812 | (58,041,906) | 14,591,970 | (228,926) | 31,020,342 |

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

1. Basis of Presentation:

- a) The Company, incorporated under the General Corporation Law of the State of Delaware, is a natural resource company engaged in the acquisition, exploration and development of gold, silver and precious metal properties. The unaudited consolidated financial statements of Paramount Gold and Silver Corp. (“The Company”) include the accounts of its wholly owned subsidiaries, Paramount Gold de Mexico S.A. de C.V., Magnetic Resources Ltd, and Compania Minera Paramount SAC. On August 23, 2007 the board of directors and stockholders’ approved the name change from Paramount Gold Mining Corp. to Paramount Gold & Silver Corp.

These unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. These financial statements are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company’s audited consolidated financial statements filed as part of the Company’s June 30, 2009 Annual Report on Form 10-K. This quarterly report should be read in conjunction with the annual report.

In the opinion of the Company’s management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company’s consolidated financial position at December 31, 2009, and the consolidated results of operations and the consolidated statements of cash flows for the six months ended December 31, 2009 and 2008. The results of operations for the three and six months ended December 31, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year.

- b) Use of Estimates

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

- c) Exploration Stage Enterprise

The Company’s consolidated financial statements are prepared using the accrual method of accounting and according to the provision of FASB ASC 915, “Accounting and Reporting for Development Stage Enterprises”, as it were devoting substantially all of its efforts to acquiring and exploring mineral properties. It is industry practice that mining companies in the development stage are classified under Generally Accepted Accounting Principles as exploration stage companies. Until such properties are acquired and developed, the Company will continue to prepare its consolidated financial statements and related disclosures in accordance with entities in the exploration or development stage.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

2. Principal Accounting Policies

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

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The fair market value of the Company's financial instruments comprising cash, accounts receivable and accounts payable and accrued liabilities were estimated to approximate their carrying values due to immediate or short-term maturity of these financial instruments. The Company maintains cash balances at financial institutions which at times, exceed federally insured amounts. The Company has not experienced any material losses in such accounts.

Term Deposit

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

Notes Receivable

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

Stock Based Compensation

The Company has adopted the provisions of 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 December 31, 2009, the Company’s only component of comprehensive income is foreign currency translation adjustments.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

2. Principal Accounting Policies: (Continued)

Long Term Assets

Mineral Properties

The Company has been in the exploration stage since its inception on March 29, 2005, and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. The Company expenses all costs related to the maintenance, development and exploration of mineral claims in which it has secured exploration rights prior to establishment of proven and probable reserves. To date, the Company has not established the commercial feasibility of its exploration prospects; therefore, all exploration costs are expensed.

Mineral property acquisition costs are initially capitalized when incurred using the guidance in ASC 360-10, "Whether Mineral Rights Are Tangible or Intangible Assets." The Company assesses the carrying cost for impairment under ASC 360-10, "Accounting for Impairment or Disposal of Long Lived Assets" at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Fixed Assets

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

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

Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted FASB ASC 740 as of its inception. Pursuant to 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 the Company's Consolidated Statements of Operations. The Company elected this accounting policy, which is a continuation of the Company's historical policy, in connection with the Company's adoption of FIN 48.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

2. Principal Accounting Policies: (Continued)

Foreign Currency Translation

The Company's functional currency is the United States dollar. The consolidated financial statements of the Company are translated to United States dollars in accordance with 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 Euros. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The functional currencies of the Company's wholly-owned subsidiaries are the Mexican peso and the Canadian Dollar. The financial statements of the subsidiaries are translated to United States dollars in accordance with ASC 830 using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in the statement of operations.

Asset Retirement Obligation

The Company has adopted ASC 410-20 "Accounting for Asset Retirement Obligations", which requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The cost of the tangible asset, including the initially recognized ARO, is depleted such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion expense is recognizable over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash flows, discounted at the Company's credit-adjusted-risk-free interest rate. 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 in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations, and their overall effect upon the Company, may vary from region to region and are not predictable.

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

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2. Principal Accounting Policies: (Continued)

Basic and Diluted Net Loss Per Share

The Company computes net income (loss) per share in accordance with FASB ASC 260, "Earnings per Share" and requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS give effect to all dilutive potential common shares outstanding during the period using the treasury stock method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

Concentration of Credit and Foreign Exchange Rate Risk

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

Fair Value Option for Financial Assets

On July 1, 2008, the Company adopted FASB ASC 825-10, The Fair Value Option for Financial Assets and Financial Liabilities ("ASC 825-10"). ASC 825-10 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (fair value option) with changes in fair value reported in earnings. The adoption of ASC 825-10 has no impact on the financial statements as management did not elect the fair value option for any other financial instruments or other assets and liabilities.

Accounting Standards Adopted

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

Effective July 1, 2009, we adopted the amended provisions of ASC 815 on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in ASC 815. Warrants and options issued in prior periods with exercise prices denominated in Canadian dollars are no longer considered indexed to our stock, as their exercise price is not in the Company's functional currency of the US dollar, and therefore no longer qualify for the scope exception and must be accounted for as a derivative. These warrants and options are reclassified as liabilities

under the caption "Warrant liability" and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Changes in the liability from period to period are recorded in the Statements of Operations under the caption "Change in fair value of warrant liability." On July 1, 2009, we recorded a cumulative effect adjustment based on the grant date fair value of warrants issued during the year ended June 30, 2009 that were outstanding at July 1, 2009 and the change in fair value of the warrant liability from the issuance date through to July 1, 2009.

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2. Principal Accounting Policies: (Continued)

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

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

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

In addition, we have recorded a gain related to the change in fair value of the warrant liability of \$2,917,613 on the Consolidated Statements of Operations for the six month period ended December 31, 2009.

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:

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2. Principal Accounting Policies: (Continued)

Fair Value Measurements (continued)

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

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

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by 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.

| | Fair Value at December 31, 2009 | | | | June 30, |
|-------------------------|---------------------------------|------------|---------|------------|-----------|
| | Total | Level 1 | Level 2 | Level 3 | 2009 |
| Assets | \$ | \$ | \$ | \$ | \$ |
| Cash equivalents | 19,095,311 | 19,095,311 | | | 7,040,999 |
| Accounts receivable | 473,052 | 473,052 | - | | 221,267 |
| Notes receivable | - | | | | 91,365 |
| GIC | 1,053,811 | 1,053,811 | | | 1,063,772 |
| Equity conversion right | 1,337,700 | 1,337,700 | | | - |
| Liabilities | | | | | |
| Warrant liability | 13,333,127 | | | 13,333,127 | - |

The Company's cash equivalents, accounts receivables 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. Accounts receivable represents amounts due from a national government regarding the refund of taxes. Notes receivable is classified within Level 2 of the fair value hierarchy.

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2. Principal Accounting Policies: (Continued)

Fair Value Measurements (continued)

The 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 and options is recorded in the statement of operations as a gain (loss) and is estimated using the Black-Scholes option-pricing model with the following inputs:

| | |
|---------------------------------------|----------------------|
| | December 31, 2009 |
| Risk free interest rate | 0.93% |
| Expected life of warrants and options | 1-2 years |
| Expected stock price volatility | 60% to 111% |
| Expected dividend yield | 0% |

The changes in fair value of the warrants during the period ended December 31, 2009 were as follows:

| | |
|---|------------|
| Balance at September 30, 2009 | 13,162,453 |
| Issuance of warrants and options | - |
| Change in fair value recorded in earnings | 170,674 |
| Transferred to equity upon exercise | - |
| Balance at December 31, 2009 | 13,333,127 |

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3. Recent Accounting Pronouncements:

(i) 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.

(ii) ASC 815

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 (iii) statements issued for fiscal periods beginning after November 15, 2008. The Company has adopted ASC 815 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.

ASC 460

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.

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3. Recent Accounting Pronouncements: (Continued)

The Company adopted ASC 460 on July 1, 2009. Adoption of this standard did not have a material impact on the Company's financial condition or results of operation.

ASC 855

(iv)

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.

ASC 860

(v)

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 will have on its consolidated financial statements.

ASC 810

(vi)

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.

ASC 105-10-05

(vii)

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.

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3. Recent Accounting Pronouncements: (Continued)

(viii) ASC 470-20

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.

4. Non-Cash Transactions:

During the six month period ended December 31, 2009 and 2008, the Company entered into certain non-cash activities as follows:

| | 2009 | 2008 |
|--|------------|--------------|
| Operating and Financing Activities | | |
| From issuance of shares for consulting and geological services | \$ - | \$ 210,988 |
| From issuance of shares for cashless exercise of options | \$ 142,462 | \$ - |
| From issuance of shares for mineral property | \$ 375,000 | \$ 8,828,450 |

5. Capital Stock:

Authorized capital stock consists of 200,000,000 common shares with par value of \$0.001 each. During the six month period ending December 31, 2009, the Company issued a total of 19,374,408 common shares which are summarized as follows:

| | 2009 | 2008 |
|--------------------------------------|---------------|-----------|
| | Common Shares | |
| Financing | 18,400,000 | 1,071,429 |
| Acquisition of mineral properties | 300,000 | 7,350,000 |
| For exercise of warrants and options | 674,408 | 551,206 |
| | 19,374,408 | 8,972,635 |

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5. Capital Stock: (Continued)

During the six month period ended December 31, 2009, the Company issued 19,374,408 common shares. The Company completed a financing in the current quarter and issued 18,400,000 common shares at \$1.25 per share. The company also issued an additional 300,000 shares at \$1.25 per share related to a mineral property and 181,818 warrants were exercised at \$0.95 per share. The options for 5,429 shares were exercised at \$0.65 during the three month period ending September 30, 2009.

The following share purchase warrants and agent compensation warrants were outstanding at December 31, 2009:

| | Exercise price | Number of warrants | Remaining contractual life (years) |
|--|----------------|--------------------|------------------------------------|
| Warrants | .90 | 12,000,000 | 3.16 |
| Agent compensation warrants | .90 | 840,000 | 3.16 |
| Warrants | .85 | 3,636,362 | 1.00 |
| Warrants | 2.15 | 35,715 | 1.10 |
| Outstanding and exercisable at December 31, 2009 | | 16,512,077 | |

| | December 31, 2009 | December 31, 2008 |
|---------------------------------|-------------------|-------------------|
| Risk free interest rate | N/A | 0.40% |
| Expected life of warrants | N/A | 1 year |
| Expected stock price volatility | N/A | 110% |
| Expected dividend yield | N/A | 0% |

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6. Related Party Transactions:

During the period ended December 31, 2009, directors received payments for professional fees in the amount of \$90,601 (2008: \$51,520).

During the period ended December 31, 2009 the Company made payments of \$20,613 pursuant to a premises lease agreement to a corporation with a director 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:

| | December 31 , 2009 | June 30, 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 |

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a. San Miguel Project

The Company has an option to acquire a 100% in the La Blanca property located in Guazaparez, Chihuahua, Mexico. Pursuant to the option agreement, payments of \$180,000 have been made. Furthermore, the company must pay a royalty of \$1.00 for each ounce proven or probable gold reserves. No gold reserves have been established as at December 31, 2009. The Company has incurred \$500,000 in exploration expenses.

The Company has a 100% interest in the Santa Cruz mining concession located in the San Miguel Project, subject to satisfactory title transfer. The terms of the agreement called for a payment of \$50,000 prior to March 7, 2006 and the required payment was made by the Company. The option also includes a 3% NSR payable to optioner. This concession was acquired as part of the San Miguel asset project purchased from Tara Gold.

b. Temoris

On March 19, 2009 the Company closed an agreement with Garibaldi Resources Corp. in which the company acquired the outstanding option on the Temoris project. The option covers an area of approximately 54,000 hectares adjacent to the San Miguel groupings and Andrea project. In consideration for the acquisition, the company paid Garibaldi \$400,000 and issued six million shares of the Company's common stock.

The shares of common stock were delivered to an escrow agent who released 500,000 shares of common stock six months from the date of closing and will release an additional 500,000 shares of common stock every three months thereafter.

On February 12, 2009, the company acquired all of the issued and outstanding shares of common stock of Magnetic Resources Ltd. ("Magnetic"). Magnetic is the sole beneficial stockholder of Minera Gama, S.A. de C.V. which holds interests in various mineral concessions in Mexico known as the Temoris Project and the Morelos Project and also holds a royalty in the Iris Project.

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7. Mineral Properties (Continued):

In consideration for the acquisition of all of the issued and outstanding common shares of Magnetic and the assumption and discharge of the stockholder loans, the company issued to the stockholders of Magnetic 1,350,000 shares of the Company's common stock valued at \$675,000 and an advisor was paid a finder's fee of 200,000 common shares of the Company valued at \$100,000.

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

| | |
|----------------------------|-----------|
| Total purchase price | \$775,000 |
| Garibaldi mineral property | 604,754 |
| Irish mineral property | 50,000 |
| Moralos mineral property | 100,000 |
| Other asset | 20,246 |
| | \$775,000 |

c. Andrea

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

d. Vidette Lake, Canada

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.

8. Fixed Assets:

| | Cost | Accumulated Amortization | Net Book Value | |
|------------------------|------------|-----------------------------|-------------------------|------------------|
| | | | December 31, 2009 | June 30, 2009 |
| Property and Equipment | \$ 729,454 | \$ 211,793 | \$ 517,661 | \$ 520,858 |

During the period ended December 31, 2009, total additions to property, plant and equipment were \$28,069 (2008-\$340,173). During the period ended December 31, 2009 the Company recorded depreciation of \$ 31,265.

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9. Notes Receivable:

The Company held convertible notes receivable with face value of \$70,000 plus accrued interest issued by Mexoro Minerals Ltd. (“Mexoro”) pursuant to a Letter of Intent dated May 2, 2008 between Mexoro Minerals Ltd. and the Company with respect to the proposed Strategic Alliance between Mexoro and Paramount. The interest rate of the convertible notes is 8% but by mutual agreement, no interest was accrued for three months ending September 30, 2009. These notes were repaid to the Company on October 1, 2009.

| | Maturity Date | Interest Rate | December 31, 2009 | June 30, 2009 |
|-----------------------------------|--------------------|---------------|-------------------|---------------|
| Note Receivable – Mexoro Minerals | September 18, 2009 | 8% per annum | \$ - | \$ 70,000 |
| Note Receivable – Mexoro Minerals | May 7, 2009 | 8% per annum | - | - |
| | July 10, 2009 | 8% per annum | - | - |
| Accrued Interest | - | - | - | 21,365 |
| | | | \$ - | \$ 91,365 |

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

10. Segmented Information:

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

Loss for the period by geographical segment for the six month period ended December 31, 2009:

| | United States | Mexico / Latin America | Total |
|-------------------|---------------|------------------------|-----------|
| Interest income | \$ 66,244 | \$ 65 | \$ 66,309 |
| Expenses: | | | |
| Exploration | (5,527) | 2,160,625 | 2,155,098 |
| Professional fees | 407,374 | - | 407,374 |

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| | | | |
|---|--------------|--------------|--------------|
| Travel and lodging | 87,110 | - | 87,110 |
| Geologist fees and expenses | 372,725 | 88,746 | 461,471 |
| Corporate communications | 86,190 | - | 86,190 |
| Consulting fees | 345,998 | - | 345,998 |
| Office and administration | 79,384 | 30,384 | 109,768 |
| Interest and service charges | 48,416 | 1,931 | 50,347 |
| Loss on Disposal of Assets | - | - | - |
| Insurance | 25,511 | - | 25,511 |
| Amortization | 11,421 | 19,844 | 31,265 |
| Office | 42,996 | - | 42,996 |
| Acquisition Expenses | 1,060,180 | - | 1,060,180 |
| Miscellaneous | (25,103) | - | (25,103) |
| Write off of mineral property | 275,000 | - | 275,000 |
| Financing & listing fees | 77,484 | - | 77,484 |
| Total Expenses | 2,889,159 | 2,301,530 | 5,190,689 |
| Change in fair value of warrant liability | (2,917,613) | - | (2,917,613) |
| Net loss | \$ (94,698) | \$ 2,301,465 | \$ 2,206,767 |

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10. Segmented Information (Continued):

Loss for the period by geographical segment for the six month period ended December 31, 2008:

| | United States | Mexico / Latin America | Total |
|------------------------------|------------------|---------------------------|--------------|
| Interest income | \$ 96,954 | \$ 53,253 | \$ 150,207 |
| Expenses: | | | |
| Exploration (note 15) | 685,007 | 1,170,448 | 1,855,455 |
| Professional fees | 381,595 | 26,978 | 408,573 |
| Travel and lodging | 114,338 | - | 114,338 |
| Geologist fees and expenses | 258,395 | 221,484 | 479,879 |
| Corporate communications | 138,698 | - | 138,698 |
| Consulting fees | 552,879 | - | 552,879 |
| Marketing | 319,427 | - | 319,427 |
| Office and administration | 136,853 | 401,895 | 538,748 |
| Interest and service charges | 3,018 | 973 | 3,991 |
| Loss on Disposal of Assets | - | 44,669 | 44,669 |
| Insurance | 31,010 | 17,809 | 48,819 |
| Amortization | 27,103 | 25,175 | 52,278 |
| Rent | 43,886 | - | 43,886 |
| Financing | 12,525 | - | 12,525 |
| Miscellaneous | (2,738) | - | (2,738) |
| Total Expenses | 2,701,996 | 1,909,431 | 4,611,427 |
| Net loss | \$ 2,605,042 | \$ 1,856,178 | \$ 4,461,220 |

Assets by geographical segment:

| | United States | Mexico / Latin America | Total |
|--------------------|------------------|---------------------------|---------------|
| December 31, 2009 | | | |
| Mineral properties | \$ - | \$ 22,111,203 | \$ 22,111,203 |
| Equipment | 114,489 | 403,172 | 517,661 |
| December 31, 2008 | | | |
| Mineral properties | \$ - | \$ 14,054,197 | \$ 14,054,197 |
| Equipment | 144,306 | 423,109 | \$ 567,415 |

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

11. 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.

Changes in the Company's stock options for the period ending December 31, 2009 are summarized below:

| | Number | Weighted Avg. Exercise Price |
|------------------------------|-----------|------------------------------------|
| Balance, beginning of period | 4,612,000 | \$ 0.98 |
| Issued | - | - |
| Cancelled / Expired | 85,000 | 1.46 |
| Exercised | 232,000 | 0.65 |
| Granted | - | - |
| Balance, end of period | 4,295,000 | \$ 0.98 |

At December 31, 2009, there were 3,520,000 exercisable options outstanding. Options outstanding above that have not been vested at year end amount to 775,000 which have a maximum service term of 1- 4 years and weighted average exercise price of \$1.46. The vesting of these options is dependent on market conditions which have yet to be met.

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:

| | December 31, 2009 | December 31, 2008 |
|-------------------------|----------------------|----------------------|
| Risk free interest rate | .040% - .47% | 0.40% |
| Expected dividend yield | 0% | 0% |

| | | |
|------------------------------------|-------------|--------------|
| Expected stock price volatility | 114% - 116% | 110% |
| Expected life of options | 3 years | 2 to 5 years |

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(Unaudited)

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(Expressed in United States dollars, unless otherwise stated)

11. Employee Stock Option Plan (continued):

During the period ended December 31, 2009 the Company recognized stock based compensation expense in the amount of \$ 209,191 (2008: \$ 274,928) for the vested portion of options issued in the previous year.

12. Differences Between US and Canadian Generally Accepted Accounting Principles:

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). Set out below are the material adjustments to net loss for the period ending December 31, 2009 and December 31, 2008 and to stockholders' equity at December 31, 2009 and December 31, 2008 in order to conform to accounting principles generally accepted in Canada ("Canadian GAAP").

| Statement of Loss | Period ended December 31, 2009 | Period ended December 31, 2008 |
|---|--------------------------------------|--------------------------------------|
| Net loss based on US GAAP | \$ (2,206,767) | \$ (4,461,220) |
| Deferred exploration costs prior to the establishment of proven and probable reserves | 3,954,269 | 2,207,134 |
| Net loss for the period based on Canadian GAAP | 1,747,502 | (2,750,003) |
| | December 31, 2009 | December 31, 2008 |
| Stockholders' Equity | | |
| Stockholders' Equity based on US GAAP | \$ 31,020,342 | \$ 18,144,913 |
| Deferred exploration costs prior to the establishment of proven and probable reserves | 20,555,886 | 13,131,097 |
| Stockholders' Equity based on Canadian GAAP | 51,576,228 | 31,276,010 |

The following sets out the material balance sheet differences between Canadian and U.S. GAAP:

| Mineral Properties | December 31, 2009 | December 31, 2008 |
|---|----------------------|----------------------|
| US GAAP | \$ 22,111,203 | \$ 14,054,197 |
| Deferred exploration costs prior to the establishment of proven and probable reserves | 20,555,886 | 13,131,097 |
| Canadian GAAP | 42,667,089 | 27,185,294 |

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(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

12. Differences Between US and Canadian Generally Accepted Accounting Principles (Continued):

(a) Interest in Exploration Properties and Deferred Exploration Costs

Under U.S. GAAP, acquisition costs are capitalized, but exploration costs are not considered to have the characteristics of property, plant and equipment and, accordingly, are expensed prior to the Company determining that economically proven and probable mineral reserves exist. Subsequent to that determination, all such costs are capitalized.

Under Canadian GAAP, acquisition and exploration expenditures on properties less recoveries in the pre-production stage are deferred until such time as the properties are put into commercial production, sold or become impaired. On the commencement of commercial production, the deferred costs are charged to operations on the unit-of-production method based upon estimated recoverable proven and probable reserves. General exploration expenditures are charged to operations in the period in which they are incurred. The Company recognizes the payment or receipt of payment required under option agreements when paid or received.

(b) Statement of Cash Flows

As a result of the treatment of mining interests under item (a) above, cash expended for the exploration costs would have been classified as investing rather than operating, resulting in the following totals under Canadian GAAP:

| | December 31, 2009 | December 31, 2008 |
|-----------------------------------|----------------------|----------------------|
| Cash used in operating activities | \$ (4,926,302) | \$ (708,131) |
| Cash used in investing activities | (4,848,654) | (3,178,961) |

(c) Recent Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five period transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011. The changeover date of June 30, 2012 will require the restatement for comparative purposes of amounts reported by the Company for the period ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

12. Differences Between US and Canadian Generally Accepted Accounting Principles (Continued):

Capital Disclosures

As a result of new Section 1535, Capital Disclosures, the Company will be required to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding an entity's objectives, policies and procedures for managing capital.

Disclosure and Presentation of Financial Instruments

New accounting recommendations for disclosure and presentation of financial instruments are effective for the Company beginning July 1, 2008. The new recommendations require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

Goodwill and Intangible Assets

The Accounting Standards Board has also issued a new Section 3064, Goodwill and Intangible Assets, to replace current Section 3062, Goodwill and Other Intangible Assets. The new section establishes revised standards for recognizing, measuring, presenting and disclosing goodwill and intangible assets. Canadian Institute of Chartered Accountants Handbook Section 3064 is effective for fiscal periods beginning on or after October 1, 2008. The Company adopted Section 3064 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.

13. 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.

14. SNS Silver Corp.:

On December 4, 2009, the Company entered into an Earn-In Agreement with SNS SilverCorp ("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.

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Notes to Consolidated financial statements

(Unaudited)

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(Expressed in United States dollars, unless otherwise stated)

14. SNS Silver Corp.: (Continued)

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).

15. Restatement

We determined that certain warrants issued by the Company in connection with 2008 and 2009 securities offerings ("Warrants") contain exercise prices which are denominated in a currency other than our functional currency of the U.S. Dollar, which should have been accounted for in the accordance with the amended provisions of ASC 815 effective July 1, 2009. ASC 815-40-15 concerns the determination of 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 purposes of evaluating the scope exception in ASC 815. Since certain outstanding Warrants are exercisable in Canadian dollars, they are not considered indexed to the Company's own stock and therefore, do not qualify for the scope exception in ASC 815 and must be accounted for as a derivative liability. Accordingly, beginning July 1, 2009 we should have reclassified the Warrants as liabilities under the caption "Warrant liability" and recorded them at estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Thereafter, changes in the warrant liability from period to period should have been recorded in the Statements of Operations under the caption "Change in fair value of warrant liability." Effective July 1, 2009, we should have recorded a cumulative effect adjustment based on the grant date fair value of the outstanding Warrants and the change in fair value of the warrant liability from the issuance date through July 1, 2009.

The impact of the restatement on the quarter ended December 31, 2009 contained in this Form 10-Q/A is to record a warrant liability of \$13,333,127, a reduction of contributed surplus of \$3,612,865 and increase of accumulated deficit of \$9,720,262 on the consolidated balance sheet. In addition, a further adjustment to record a loss related to the change in fair value of the warrant liability of \$170,674 on the Consolidated Statements of Operations for the three months ended December 31, 2009 and a gain related to the change in fair value of the warrant liability of \$2,917,613 on the Consolidated Statements of Operations for the six months ended December 31, 2009.

We have also determined that the Company's option to convert its interest in certain mining claims to shares of a SNS Silver Corp. requires the Company to record the option as an asset. The impact of this restatement on the quarter ended December 31, 2009 contained in this Form 10-Q/A is to record an asset and a reduction of exploration expenses of \$1,337,700.

Additionally, we determined that Stock Based Compensation expenses should be allocated to the type of expense incurred. We have also determined that the shares we issued to Garibaldi Resources Corp, held in escrow should be excluded from the basic loss per share computation. The Consolidated Statements of Cash Flows and Notes to Unaudited Financial Statements have been restated where applicable to reflect the adjustments.

The adjustment to net loss for the three months ended December 31, 2009 is summarized below:

| | Period Ended December 31, 2009 |
|--|--------------------------------------|
| | \$ |
| Net loss, as previously reported | 4,416,588 |
| Adjustment for change in fair value of warrant liability (pre-tax) | 170,674 |
| Adjustment to record equity conversion right | (1,337,700) |
| Tax effect of restatement adjustment | - |
| Net loss (gain), as restated | 3,249,562 |
| Basic net loss per share, as restated | 0.03 |
| Diluted net loss per share, as restated | 0.03 |

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

15. Restatement (Continued):

The Consolidated Balance Sheets for the Period Ended December 31, 2009, included in Form 10-Q/A have been restated to include the effects of the adjustment as follows:

| | As at December 31,2009 (Unaudited) (As previously reported) | As at December 31,2009 (Unaudited) (Restated) |
|--------------------------------------|---|--|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 19,095,311 | \$ 19,095,311 |
| Amounts receivable | 473,052 | 473,052 |
| Notes receivable (Note 9) | - | - |
| Equity conversion right | - | 1,337,700 |
| Prepaid and deposits | 51,971 | 51,971 |
| Term deposit | 1,053,811 | 1,053,811 |
| | 20,674,145 | 22,011,845 |
| Long Term Assets | | |
| Mineral properties (Note 7) | 22,111,203 | 22,111,203 |
| Fixed assets (Note 8) | 517,661 | 517,661 |
| | 22,628,864 | 22,628,864 |
| | \$ 43,303,009 | \$ 44,640,709 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 287,240 | \$ 287,240 |
| Warrant liability (Note 2) | | 13,333,127 |
| | 287,240 | 13,620,367 |
| Stockholders' Equity | | |

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| | | |
|--|---------------|---------------|
| Capital stock (Note 5) | 102,392 | 102,392 |
| Additional paid in capital | 74,596,812 | 74,596,812 |
| Contributed surplus | 18,204,835 | 14,591,970 |
| Deficit accumulated during the exploration stage | (49,659,344) | (58,041,906) |
| Cumulative translation adjustment | (228,926) | (228,926) |
| | 43,015,769 | 31,020,342 |
| | \$ 43,303,009 | \$ 44,640,709 |

PARAMOUNT GOLD AND SILVER CORP.

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Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

15. Restatement (Continued):

The Consolidated Statements of Operations for the Period Ended December 31, 2009, included in Form 10-Q/A have been restated to include the effects of the adjustment as follows:

| | For the Period Ended | | As Previously Reported Six Month Period Ended December 31, 2009 | As Restated Six Month Period Ended December 31, 2009 |
|---|---|---|--|--|
| | As Previously Reported Three Month Period Ended December 31, 2009 | As Restated Three Month Period Ended December 31, 2009 | | |
| Revenue | | | | |
| Interest Income | \$ - | \$ - | \$ 66,309 | \$ 66,309 |
| Expenses: | | | | |
| Incorporation Costs | - | - | - | - |
| Exploration | 2,875,770 | 1,538,070 | 3,954,269 | 2,616,569 |
| Professional Fees | 167,442 | 167,442 | 407,374 | 407,374 |
| Travel & Lodging | 64,986 | 64,986 | 87,110 | 87,110 |
| Corporate Communications | 46,564 | 46,564 | 86,190 | 86,190 |
| Consulting Fees | 64,600 | 111,816 | 136,807 | 345,998 |
| Office & Administration | 71,827 | 71,827 | 152,764 | 152,764 |
| Interest & Service Charges | 32,115 | 32,115 | 50,347 | 50,347 |
| Loss on disposal of Fixed Assets | - | - | - | - |
| Insurance | 11,367 | 11,367 | 25,511 | 25,511 |
| Amortization | 16,614 | 16,614 | 31,265 | 31,265 |
| Miscellaneous | (30,118) | (30,118) | (25,103) | (25,103) |
| Financing & Listing Fees | 77,484 | 77,484 | 77,484 | 77,484 |
| Acquisition Expenses | 695,721 | 695,721 | 1,060,180 | 1,060,180 |
| Stock Based Compensation | 47,216 | - | 209,191 | - |
| Write Down of Mineral Property | 275,000 | 275,000 | 275,000 | 275,000 |
| Total Expense | 4,416,588 | 3,078,889 | 6,528,389 | 5,190,689 |
| Net Loss | 4,416,588 | 3,078,888 | 6,462,080 | 5,124,380 |
| Other item | | | | |
| Change in fair value of warrant liability | | 170,674 | | (2,917,613) |
| Net Loss (Gain) | | 3,249,562 | | 2,206,767 |
| Other comprehensive loss | | | | |
| Foreign Currency Translation Adjustment | (47,663) | (47,663) | (58,266) | (58,266) |

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| | | | | |
|---|--------------|--------------|--------------|--------------|
| Total Comprehensive Loss for the Period | \$ 4,368,985 | \$ 3,201,959 | \$ 6,403,814 | \$ 2,148,501 |
| Basic Income(Loss) per Common Share | (0.04) | (0.03) | (0.07) | (0.03) |
| Diluted Income (Loss) per Common Share | (0.04) | (0.03) | (0.07) | (0.02) |
| Weighted Average Number of Common Shares Used in Per Share Calculations | | | | |
| - Basic | 98,765,765 | 94,264,765 | 90,984,206 | 86,394,206 |
| - Diluted | 98,765,765 | 98,764,765 | 90,984,206 | 90,894,206 |

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(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

15. Restatement (Continued):

For the Period Ended

| | As Previously Reported Three Month Period Ended December 31, 2009 | As Restated Three Month Period Ended December 31, 2009 | As Previously Reported Six Month Period Ended December 31, 2009 | As Restated Six Month Period Ended December 31, 2008 | As Previously Reported Cumulative Since Inception | As Restated Cumulative Since Inception |
|-------------------------------------|--|---|--|---|---|---|
| Revenue | | | | | | |
| Interest Income | \$ 52,930 | \$ 52,930 | \$ 150,207 | \$ 150,207 | \$ 1,036,623 | \$ 1,036,623 |
| Expenses: | | | | | | |
| Incorporation Costs | - | - | - | - | 1,773 | 1,773 |
| Exploration | 481,495 | 486,295 | 2,270,134 | 2,335,334 | 20,555,886 | 20,370,042 |
| Professional Fees | 173,597 | 173,597 | 408,573 | 408,573 | 3,664,940 | 5,701,023 |
| Travel & Lodging | 41,385 | 41,385 | 114,338 | 114,338 | 943,716 | 943,716 |
| Corporate Communications | 202,839 | 202,839 | 458,125 | 458,125 | 2,871,148 | 2,871,148 |
| Consulting Fees | 28,921 | 224,708 | 70,926 | 552,879 | 770,683 | 13,732,381 |
| Office & Administration | 266,245 | 266,245 | 582,634 | 582,634 | 2,079,447 | 2,079,447 |
| Interest & Service Charges | 1,452 | 1,452 | 3,991 | 3,991 | 77,751 | 77,751 |
| Loss on disposal of Fixed Assets | - | - | 44,669 | 44,669 | 44,669 | 44,669 |
| Insurance | 20,626 | 20,626 | 48,819 | 48,819 | 253,579 | 253,579 |
| Amortization | 24,930 | 24,930 | 52,278 | 52,278 | 261,177 | 261,177 |
| Miscellaneous | (990) | (990) | (2,738) | (2,738) | 159,873 | 159,873 |
| Financing & Listing Fees | 12,525 | 12,525 | 12,525 | 12,525 | 90,009 | 55,460 |
| Acquisition Expenses | - | - | - | - | 1,060,180 | 1,060,180 |
| Stock Based Compensation | 200,587 | - | 547,153 | - | 16,140,228 | 0 |
| Write Down of Mineral Property | - | - | - | - | 1,746,049 | 1,746,049 |

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| | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|---------------|
| Total Expense | 1,453,612 | 1,453,612 | 4,611,427 | 4,611,427 | 50,721,108 | 49,358,267 |
| Net Loss | 1,400,682 | 1,400,682 | 4,461,220 | 4,461,220 | 49,684,485 | 48,321,644 |
| Other item | | | | | | |
| Change in fair value of warrant liability | | | | | | 9,720,262 |
| Net Loss (gain) | | | | | | 58,041,906 |
| Other comprehensive loss | | | | | | |
| Foreign Currency Translation Adjustment | 192,598 | 192,598 | 224,892 | 224,892 | 228,926 | 228,926 |
| Total Comprehensive Loss for the Period | \$ 1,593,280 | \$ 1,593,280 | \$ 4,686,112 | \$ 4,686,112 | \$ 49,913,411 | \$ 58,270,832 |
| Basic Income(Loss) per Common Share | 0.02 | 0.02 | 0.08 | 0.08 | | |
| Diluted Income (Loss) per Common Share | 0.02 | 0.02 | 0.08 | 0.08 | | |
| Weighted Average Number of Common Shares Used in Per Share Calculations | | | | | | |
| - Basic | 57,674,756 | 57,674,756 | 55,148,086 | 55,148,086 | | |
| - Diluted | 57,674,756 | 57,674,756 | 55,148,086 | 55,148,086 | | |

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(Expressed in United States dollars, unless otherwise stated)

15. Restatement (Continued):

The Consolidated Statements of Cash Flows for the Period Ended December 31, 2009, included in Form 10-Q/A have been restated to include the effects of the adjustment as follows:

| | For the Six Month Period Ended December 31, 2009 (As previously reported) | For the Six Month Period Ended December 31, 2009 (Restated) | Cumulative Since Inception to December 31, 2009 (As previously reported) | Cumulative Since Inception to December 31, 2009 (Restated) |
|--|---|--|---|--|
| Net Gain (Loss) | \$ (6,462,080) | \$ (2,206,767) | \$ (49,759,003) | \$ (58,041,906) |
| Adjustment for: | | | | |
| Depreciation | 31,265 | 31,265 | 261,177 | 261,177 |
| Allowance for doubtful accounts | 172,170 | - | 172,170 | 172,170 |
| Loss on disposal of assets | - | - | 44,669 | 44,669 |
| Write down on mineral property | 275,000 | 275,000 | 275,000 | 275,000 |
| Stock based compensation | 209,191 | 209,191 | 17,827,923 | 17,827,923 |
| Accrued interest | - | - | (58,875) | (58,875) |
| Change in fair value of warrant liability | 0 | (2,917,613) | | 9,720,262 |
| (Increase) Decrease in accounts receivable | (423,955) | (251,785) | (620,393) | (620,394) |
| (Increase) Decrease in prepaid expenses | 30,612 | 30,612 | 129,451 | 129,451 |
| Increase (Decrease) in accounts payable | (96,205) | (96,205) | 55,219 | 55,219 |
| Cash used in Operating Activities | (6,264,002) | (4,926,302) | (31,672,662) | (30,235,304) |
| Investing Activities: | | | | |
| Purchase of GIC receivable | - | - | (1,004,897) | (1,004,897) |
| Note receivable | 91,365 | 91,365 | (3,253,192) | (3,253,192) |
| Purchase of equity conversion right | 0 | (1,337,700) | | (1,337,700) |
| Purchase of Mineral Properties | (3,574,251) | (3,574,251) | (4,400,168) | (4,400,168) |
| Purchase of Equipment | (28,068) | (28,068) | (98,068) | (98,068) |
| Cash used in Investing Activities | (3,510,954) | (4,848,654) | (8,756,325) | (10,094,025) |

| | | | | |
|---|----------------------|-------------------|----------------------|----------------------|
| Financing Activities: | | | | |
| Increase (decrease) in demand notes payable | - | - | 105,580 | 105,580 |
| Issuance of capital stock | 21,761,042 | 21,761,042 | 59,656,861 | 59,557,202 |
| Cash from Financing Activities: | 21,761,042 | 21,761,042 | 59,762,441 | 59,662,782 |
| | | | | \$ |
| Effect of exchange rate changes on cash | 68,226 | 68,226 | (238,143) | (238,142) |
| Increase (Decrease) in Cash | 12,054,312 | 12,054,312 | 19,095,311 | 19,095,311 |
| Cash, beginning | 7,040,999 | 7,040,999 | 0 | 0 |
| Cash, ending | \$ 19,095,311 | 19,095,311 | \$ 19,095,311 | \$ 19,095,311 |

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Six Month Period Ended December 31, 2009

(Expressed in United States dollars, unless otherwise stated)

15. Restatement (Continued):

The Consolidated Statements of Stockholders' Equity for the Period Ended December 31, 2009, included in Form 10-Q/A have been restated to include the effects of the adjustment as follows:

As previously reported:

| | Shares | Par Value | Capital in Excess of Par Value | Accumulated Earnings (Deficiency) | Contributed Surplus | Cumulative Translation Adjustment | Total Stockholders' Equity |
|--|------------|-----------|--------------------------------|-----------------------------------|---------------------|-----------------------------------|----------------------------|
| Balance at June 30, 2009 | 83,018,219 | 83,018 | 52,506,278 | (43,197,264) | 17,969,510 | (287,192) | 27,074,350 |
| Capital issued from stock options exercised | 5,429 | 5 | 3,524 | - | (3,529) | - | - |
| Stock based compensation | - | - | - | - | 161,975 | - | 161,975 |
| Foreign currency translation | - | - | - | - | - | 10,663 | 10,663 |
| Net Income (loss) | - | - | - | (2,045,492) | - | - | (2,045,492) |
| Balance at September 30, 2009 | 83,023,648 | 83,023 | 52,509,802 | (45,242,756) | 18,127,956 | (276,529) | 25,201,496 |
| Capital issued for financing | 18,400,000 | 18,400 | 21,371,043 | - | - | - | 21,389,443 |
| Capital issued for mineral properties | 300,000 | 300 | 374,700 | - | - | - | 375,000 |
| Capital issued from stock options and warrants exercised | 668,979 | 669 | 341,267 | - | 29,663 | - | 371,599 |
| Stock based compensation | - | - | - | - | 47,216 | - | 47,216 |

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| | | | | | | | |
|------------------------------|-------------|---------|------------|--------------|------------|-----------|--------------|
| Foreign currency translation | - | - | - | - | - | 47,603 | 47,603 |
| Net Income (loss) | - | - | - | (4,416,588) | - | - | (4,416,588) |
| Balance at December 31, 2009 | 102,392,627 | 102,392 | 74,596,812 | (49,659,344) | 18,204,835 | (228,926) | 43,015,769 |

As restated:

| | Shares | Par Value | Capital in Excess of Par Value | Accumulated Earnings (Deficiency) (Restated) | Contributed Surplus (Restated) | Cumulative Translation Adjustment | Total Stockholders' Equity (Restated) |
|--|------------|-----------|--------------------------------|--|--------------------------------|-----------------------------------|---------------------------------------|
| Balance at June 30, 2009 | 83,018,219 | 83,018 | 52,506,278 | (43,197,264) | 17,969,510 | (287,192) | 27,074,350 |
| Capital issued from stock options exercised | 5,429 | 5 | 3,524 | - | (3,529) | - | - |
| Stock based compensation | - | - | - | - | 161,975 | - | 161,975 |
| Transition Adjustment (Note 2) | - | - | - | (12,637,875) | (3,612,865) | - | (16,250,740) |
| Foreign currency translation | - | - | - | - | - | 10,663 | 10,663 |
| Net Income (loss) | - | - | - | 1,042,795 | - | - | 1,042,795 |
| Balance at September 30, 2009 | 83,023,648 | 83,023 | 52,509,802 | (54,792,344) | 14,515,091 | (276,529) | 12,039,043 |
| Capital issued for financing | 18,400,000 | 18,400 | 21,371,043 | - | - | - | 21,389,443 |
| Capital issued for mineral properties | 300,000 | 300 | 374,700 | - | - | - | 375,000 |
| Capital issued from stock options and warrants exercised | 668,979 | 669 | 341,267 | - | 29,663 | - | 371,599 |
| Stock based compensation | - | - | - | - | 47,216 | - | 47,216 |
| Foreign currency translation | - | - | - | - | - | 47,603 | 47,603 |

| | | | | | | | |
|------------------------------------|-------------|---------|------------|--------------|------------|------------|--------------|
| Net Income (loss) | - | - | - | (3,249,562) | - | - | (3,249,563) |
| Balance at December 31, 2009 | 102,392,627 | 102,392 | 74,596,812 | (58,041,906) | 14,591,970 | (228,926) | 31,020,342 |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2009 contains "forward-looking statements". Generally, the words "believes", "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements which include, but are not limited to, statements concerning the Company's expectations regarding its working capital requirements, financing requirements, business prospects, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such statements are subject to certain risks and uncertainties, including the matters set forth in this Quarterly Report or other reports or documents the Company files with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected.

These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein.

Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

OTHER PERTINENT INFORMATION

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

Overview and History:

We are an exploration stage mining company which has as its core business, precious metals exploration in Mexico. We are a Delaware corporation and we were incorporated on March 29, 2005. Our administrative office is located at Suite 110, 346 Waverley Street, Ottawa, Canada K2P 0W5. We also have a field office located in Temoris, Mexico. Our objective is to explore and develop the San Miguel Project located in the State of 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. We also own additional mining concessions in the state of Chihuahua, Mexico.

In December 2008, we entered into an option to acquire an interest in the Vidette Lake Gold Mine located in British Columbia, Canada. Upon further geological and mining studies, we have determined that it would not be in the best interests of the Company to pursue the purchase of this property.

In 2009, we also entered into an option agreement to acquire up to a 30% interest in the Golden Rose project in Ontario, Canada from SNS Silver Corp.

We will continue to explore additional opportunities through other joint ventures and acquisitions. We do not expect to generate revenues from these projects nor is it our objective to enter the mine management business. Rather we hope to identify a resource that will enable us to attract a larger company to partner with who has experience developing and managing a mine.

The San Miguel Project

Location

The San Miguel Project is located in southwestern Chihuahua in Northern Mexico, and is approximately 400 km by road from the state capital. The project is about 20 km north of the town of Temoris, adjacent to the village of Guazapares. It is in the Guazapares mining district, which is part of the Sierra Madre Occidental gold-silver belt.

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

MAP 1 – SAN MIGUEL PROJECT LOCATION

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

Deposit Types

At the San Miguel project, mineralization consists of epithermal, low sulfidation, gold/silver vein and breccia deposits which occur in north-northwest trending, steeply dipping structures. This type of mineralization is typical of the Sierra Madre Occidental gold-silver metallogenic province.

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

T o t a l 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 Fracci n 2 | Minera Gama | 229551 | 18-May-07 | 7328.1302 |
| Temoris Fracci n 3 | Minera Gama | 229552 | 18-May-07 | 14.0432 |
| Temoris Fracci n 4 | Minera Gama | 229553 | 18-May-07 | 18.6567 |
| | | | T o t a l | 100713.042 |
| Guazapares Claims | | | | |
| San Francisco | Paramount* | 191486 | 19-Dec-91 | 38.1598 |
| Ampliaci n 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 |
| | | | T o t a l | 1980.0629 |
| | | | Grand Total | 188461.176 |

(*) Under option

Market for Gold and Silver:

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

Gold prices have generally trended upward during the last nine years, from a low of just under \$260 per ounce in early 2001 to a high of more than \$1,200 per ounce in December 2009. Despite declining from a high of \$21.00 per ounce in March 2008 to approximately \$18.75 per ounce in November 2009, silver has trended upward as well over the past 9 years from a low of approximately \$8.50 per ounce. Management remains encouraged with its ongoing drilling program. If commercially recoverable deposits are identified, management believes that the Company will enter into an agreement with a mining partner who has experience implementing mining operations.

Recent Financings and Related Agreements:

On October 15, 2009 we offered 16 million shares of our common stock at an offering price of \$1.25 per share. Our underwriters exercised all of their overallotment of 2.4 million shares. As a result of the foregoing, we received net proceeds of approximately \$21.7 million. The shares of common stock were offered pursuant to the Company's registration statement declared effective by the Commission on Paramount's shelf registration statement on Form S-3 (Registration No. 333-153104) (the "Registration Statement"), including a base prospectus dated January 8, 2009, as supplemented by a prospectus supplement dated October 8, 2009. FCMI Financial Corporation ("FCMI"), the Company's largest stockholder, purchased 4,000,000 Shares in the Offering.

The proceeds from the offering will allow us to further develop the San Miguel project and to explore other precious metal opportunities. We believe that these funds will be adequate to meet our budgeted expenses.

On December 4, 2009, we entered into an Earn -In Agreement with SNS Silver Corp ("SNS") whereby we acquired the right and option to earn up to 30% of SNS's interest in and to the Claims of the Northern Nickel Agreement by incurring Exploration Expenditures of \$1,400,000 Cdn by December 31, 2009. We have expended the required sums and as a result, we currently hold an option to acquire a 30% interest in the Northern Nickel claims. Under terms of the Agreement with SNS, we have been granted an "Equity Conversion Right" on any and all sums spent on the Exploration Program into shares of SNS at a price of \$0.23 Cdn per share.

Comparison of Operating Results for the Three and Six Months ended December 31, 2009 to the Three and Six Months Ended December 31, 2008 and cumulative from Inception (March 29, 2005)

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 and notes receivable. Our cash holdings were generated from the sale of our securities. Interest income for the three and six months ended December 31, 2009 were \$0 and \$66,309 as compared to \$52,930 and \$150,207 for the three and six months ended December 31, 2008. Monies are deposited in interest bearing accounts until such time as needed for drilling and general working capital purposes.

Operating Expenses

For the three and six months ended December 31, 2009 our total operating expenses were \$3,078,888 and \$5,190,689 as compared to \$1,453,612 and \$4,611,427 for the comparable periods in 2008. The significant increase in operating expenses is primarily attributable to a significant increase in our exploration expenses. We were able to significantly expand our drilling program due in part to the proceeds we received from the sale of our securities.

Exploration costs continue to be our largest expense totaling \$1,538,070 and \$2,616,569 for the three and six months ended December 31, 2009 as compared to \$486,295 and \$2,335,334 for the three and six months ended December 31, 2008. We have incurred exploration costs since Inception totaling \$20,370,042.

We incurred acquisition costs of \$695,721 and \$1,060,180 for the three and six months ended December 31, 2009 related to the Klondex transaction. We did not incur similar expenses in 2008.

With our dual listings on the NYSE AMEX and the Toronto Stock Exchange market awareness and investor relations continues to be a critical component of our business strategy. We believe that this program has been successful and as a result have been able to reduce these fees from \$202,839 and \$458,125 for the three and six months ended December 31, 2008 to \$46,564 and \$86,190 for the comparative periods in 2009. With most of our focus on mining activities and costs related thereto, we have been able to significantly reduce our office and administrative expenses. For the three and six months ended December 31, 2009, we incurred expenses of \$71,827 and \$152,764 as compared to \$266,245 and \$582,634.

Professional fees for the three and six months ended December 31, 2009 and 2008 remain relatively unchanged totaling \$167,442 and \$407,374 in 2009 as compared to \$173,597 and \$408,573. With increased activities in Mexico, corporate compliance and regulatory issues with respect to compliance matters for the SEC, NYSE AMEX and the Toronto Stock Exchange we expect that these fees will continue at their current level.

Net Income (loss)

Our Net Loss for the three and six months ended December 31, 2009 was \$3,078,888 and \$5,124,380 as compared to \$1,400,682 and \$4,461,220, in 2008. Cumulative loss since inception totaled \$(49,684,485) Until such time as we are able to identify mineral deposits which we believe can be extracted in a commercially reasonable manner, of which there can be no assurance, we will continue to incur ongoing losses.

Liquidity and Capital Resources

Assets and Liabilities

At December 31, 2009, we had cash totaling \$19,095,311 as compared to \$7,040,999, at June 30, 2009, an increase of approximately 170% which is due to our recent financing activities. Amounts receivable totaled \$473,052 at December 31, 2009 as compared to \$221,267. This increase is primarily attributable to value added tax refunds due from the Mexican government.. Total current assets at December 31, 2009 were \$22,011,845 as compared to \$8,499,986 at June 30, 2009.

Our long term assets at December 31, 2009 totaled \$22,628,864 consisting of mineral properties and fixed assets totaling \$22,111,203 and \$517,661 respectively as compared to long terms assets at June 30, 2009 totaling \$18,957,809 consisting of mineral properties totaling \$18,436,951 and \$520,858 for fixed assets. Long term assets consist of our mineral properties located within the Sierra Madre gold district in Mexico in addition to an option we acquired for mineral properties located at Vidette Lake in British Columbia. The increase in our mineral properties is directly attributable to an increase of the capitalized costs of the San Miguel Project from \$13,906,572 to \$17,855,824. We capitalize the acquisition costs of these properties.

Our current liabilities as of December 31, 2009 totaled \$13,620,367 as compared to \$383,445 at June 30, 2009. The increase in current liabilities is largely attributable to the addition this year of a warrant liability of \$13,333,127 due to warrants with exercise prices in Canadian dollars. 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 became 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.

Critical Accounting Policies

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

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

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

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

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

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

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

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

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

ITEM 4T. THE INFORMATION REQUIRED BY ITEM 4T IS CONTAINED IN ITEM 4.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On October 2, 2009, we 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 our 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. Klondex has denied the allegations.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the period ended June 30, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES.

During the quarter ended December 31, 2009, we issued 300,000 shares of our common stock in connection with the acquisition of mineral properties. We relied on the exemptive provisions of Section 4(2) of the Securities Act in connection with the issuance of the shares of common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

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

None.

We did however, hold our annual shareholders meeting on February 24, 2009 at which time we elected Christopher Crupi, Christopher Reynolds, Michel Yvan Stinglhamber, John Carden, Robert Dinning, Rudi P. Fronk and Eliseo Gonzalez-Urien as directors.

Also at that meeting, the firm of HLB Cinnamon Jang Willoughby & Company was appointed our independent registered public accounting firm for the fiscal year ending June 30, 2010.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. 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 |

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- 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
- 31.1* Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.2* Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.1* Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.2* Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

* Filed Herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

PARAMOUNT GOLD AND SILVER CORP.

Date: November 5,
2010

By: /s/ Christopher Crupi

Christopher Crupi
Chief Executive Officer

Date: November 5, 2010

/s/ Carlo Buffone
Carlo Buffone
Chief Financial Officer