PARAMOUNT GOLD & SILVER CORP.
Form 10-K/A
December 22, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A-2

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

For the fiscal year ended: June 30, 2010

Or

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

For the transition period from: _____ to _____

Commission file number 001-33630

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

Delaware	20-3690109
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

(Former name or former address, if changed since last report)

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

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

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	o	Yes	þ	No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	o	Yes	þ	No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	þ	Yes	o	No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	o	Yes	o	No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

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

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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.	o	Yes	o	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: 132,260,224 shares of common stock, $.001 par value as of December 13, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1)Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933.

None.

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

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

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

Explanatory Note

Paramount Gold and Silver Corp. (the "Company") is filing this Amendment No. 2 to the Annual Report on Form 10-K (the "Form 10-K/A") to amend its Annual Report on Form 10-K for the year ended June 30, 2010, which was filed with the Securities and Exchange Commission ("SEC") on November 5, 2010 (the "Original Filing" and together with the Form 10-K/A, the "Form 10-K"). As amended by this Form 10-K/A, the Form 10K reflects the following changes:

1. Presentation of selected financial data for the last five fiscal years;

2. Inclusion of Quantitative and Qualitative Disclosures about Market Risk;

3. Consolidated Statement of Stockholder's Equity: Isolate the cumulative effect of the adoption of FASB ASC 815-40-15-7I from other transactions resulting from exercise of warrants;

4. Clarification and Additional disclosures as required by Industry Guide 7 for our San Miguel project and Nevada properties

This Form 10-K/A amends the following items in the Company's Original Filing to reflect the inclusion of the above noted changes:

Part I, Item 1. Business

Part I, Item 2. Properties

Part II, Item 6. Select Financial Data

Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Part II, Item 8. Financial Statements and Supplementary Data

Part IV, Item 15, Exhibits, Financial Statement Schedules

This Form 10-K/A does not attempt to modify or update the disclosures in any other items set forth in the Orignial Filing. This Form 10-K/A speaks as of June 30, 2010, unless otherwise noted. Accordingly, this Form 10-K/A should be read in conjunction with the Original Filing and all filings made with the SEC subsequent to the date of the Original Filing.

TABLE OF CONTENTS

PART I, Item 1. Business.

Overview and History:

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

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

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

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

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

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

Financings and Related Agreements:

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

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

- 1 -

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

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

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

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

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

Inter-corporate Relationships:

We currently have six wholly owned subsidiaries:

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

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

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

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

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

Neither Compania Minera nor Paramount Metals is currently active.

MARKET DESCRIPTION

Gold and Silver:

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

Mineral exploration in Mexico and the United States.

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

Employees

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

Facilities

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

PART I, Item 2. Properties

SAN MIGUEL PROJECT

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

Property Location Map

Project Description and Location

Location

The San Miguel Project is located in southwestern Chihuahua in Northern Mexico, and is approximately 400 km by road from the state capital of Chihuahua City. The project is about 20 km north of the town of Temoris, adjacent to the village of Guazapares. It is in the Guazapares mining district, which is part of the Sierra Madre Occidental gold-silver belt. The location of the San Miguel Project is shown in Figure 1.

Land Area

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

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

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

San Miguel Concessions Including the Temoris Project

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

San Miguel Project Concession Data

Concession	Owner	Title No.	Date Staked	Hectares
San Miguel Group				
SAN MIGUEL	Paramount	166401	4-Jun-80	12.9458
SAN LUIS	Paramount	166422	4-Jun-80	4
EMPALME	Paramount	166423	4-Jun-80	6
SANGRE DE CRISTO	Paramount	166424	4-Jun-80	41
SANTA CLARA	Paramount	166425	4-Jun-80	15
EL CARMEN	Paramount	166426	4-Jun-80	59.0864
LAS TRES B.B.B.	Paramount	166427	4-Jun-80	23.001
SWANWICK	Paramount	166428	4-Jun-80	70.1316
LAS TRES S.S.S.	Paramount	166429	4-Jun-80	19.1908
SAN JUAN	Paramount	166402	4-Jun-80	3
EL ROSARIO	Paramount	166430	4-Jun-80	14
GUADALUPE DE LOS REYES	Paramount	172225	4-Jun-80	8
CONSTITUYENTES 1917	Paramount*	199402	19-Apr-94	66.2403
MONTECRISTO	Paramount*	213579	18-May-01	38.056
MONTECRISTO FRACCION	Paramount*	213580	18-May-01	0.2813
MONTECRISTO II	Paramount*	226590	2-Feb-06	27.1426
SANTA CRUZ	Amermin	186960	17-May-90	10
ANDREA	Paramount	231075	16-Jan-08	84112.6183
GISSEL	Paramount	228244	17-Oct-06	880
ISABEL	Paramount	228724	17-Jan-07	348.285
ELYCA	Paramount	179842	17-Dec-86	10.0924
			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 Fracción 2	Minera Gama	229551	18-May-07	7328.1302
Temoris Fracción 3	Minera Gama	229552	18-May-07	14.0432
Temoris Fracción 4	Minera Gama	229553	18-May-07	18.6567
			T o t a l	100713.042
Guazapares Claims				
San Francisco	Paramount*	191486	19-Dec-91	38.1598
Ampliación San Antonio	Paramount*	196127	23-Sep-92	20.9174
San Antonio	Paramount*	204385	13-Feb-97	14.8932
Guazaparez	Paramount	209497	3-Aug-99	30.9111
Guazaparez 3	Paramount	211040	24-Mar-00	250
Guazaparez 1	Paramount	212890	13-Feb-01	451.9655
Guazaparez 5	Paramount	213572	18-May-01	88.8744
Cantilito	Paramount	220788	7-Oct-03	37.035

San Antonio	Paramount	222869	14-Sep-04	105.1116
Guazaparez 4	Paramount	223664	2-Feb-05	63.9713
Guazaparez 2	Paramount	226217	2-Dec-05	404.0016
Vinorama	Paramount	226884	17-Mar-06	474.222
San Antonio	CA T-204385*	181963	17-Mar-88	15
			T o t a l	1980.0629
			Grand Total	188461.176

(*) Under option

Current Agreements with respect to mining concessions:

San Miguel Group Agreement

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

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

La Blanca Agreement

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

Mexoro

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

Garibaldi

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

Other

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

Ejido Agreements

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

Community Involvement

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

Environmental Reports and Liabilities:

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

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

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

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

With these exceptions, there has been no mining activity on the San Miguel concessions since the early 1900's. Between 1958 and 1968, Alaska-Juneau operated the San Luis mine and mill, producing waste rock and tailings. In the late 1970's, a few thousand tons of vein material were shipped from the San Miguel vein to El Paso as smelter flux. In the 1990's a very small and unsuccessful attempt was made to heap leach oxidized silver ores near the north end of the La Union area. It is uncertain whether Paramount would be held responsible for the cleanup of these areas should it put a mine into production nearby.

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

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

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access:

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

Climate:

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

Local Resources, Infrastructure:

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

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

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

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

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

Physiography:

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

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

History

Pre-Paramount Mining and Exploration History:

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

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

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

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

Associates did much of the fieldwork for the JV, and later continued to control the property. Copies of some of their reports are available in Paramount's files.

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

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

Paramount Exploration History

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

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

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

Geological Setting

Regional Geology:

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

The term “Sierra Madre Occidental” is also used to describe the Tertiary volcanic province characterized by large volumes of silicic ignimbrites. Within this context, the Sierra Madre Occidental extends beyond the boundaries of the physiographic province and includes the Mesa Central and part of eastern Chihuahua. The Sierra Madre Occidental volcanic province is one of the largest silicic igneous provinces on Earth, covering an area of approximately 300,000 km2 .

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

(1) plutonic and andesitic volcanic rocks of Late Cretaceous-Paleocene age;

(2) Eocene andesitic and lesser dacitic-rhyolitic volcanic rocks;

(3) silicic ignimbrites emplaced as a result of two main pulses of caldera eruptions in the Early Oligocene and Early Miocene;

(4) basaltic lavas erupted during the later stages of, and after, each ignimbritic pulse; and

(5) repeated episodes of alkaline basaltic lavas and ignimbrites generally emplaced along the periphery of the Sierra Madre Occidental in the Late Miocene, Pliocene and Quaternary.

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

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

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

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

Local Geology:

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

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

The San Miguel Project is composed of a series of concessions that overlie a NNW district-scale fault zone. For descriptive and presentation purposes, we have broken them into geographical areas, using the names of the principal

historic silver mines in each area. The main Guazapares structure has a strike length of approximately 8 kilometers and hosts the Santa Clara, La Union, San Jose, San Luis, San Antonio, El Carmen, La Veronica and Montecristo exploration areas. En echelon quartz veins, quartz-pyrite veinlet stockworks and silicified hydrothermal breccia bodies, most of which host significant gold, silver, lead and zinc mineralization, are developed within this structural zone. The zone is broken into segments by small-displacement NE trending faults. The San Miguel exploration area lies on a parallel structure approximately 3 km west of the La Veronica area. This structure referred to as the Batosegachic Fault and it hosts the San Miguel Vein.

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

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

SAN MIGUEL PROJECT – PRINCIPAL CONCESSIONS AND DRILLING AREAS

Santa Clara - La Union – Area Geology

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

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

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

San Miguel Area

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

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

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

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

Monte Cristo Area Geology

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

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

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

San Antonio Area Geology

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

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

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

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

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

Silicification is the predominant alteration type observed.

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

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

La Veronica

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

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

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

Mineralization

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

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

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

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

1. Silver vein systems (VS) trending NNW

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

2. Sheeted Vein Complexes (SVn)

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

3. Volcanic Dome Complexes (VDC)

   Broad zones and on the margins and within the dome
   Igneous bodies controlled by intersection of NNW and E-W structures
   Alteration (thought to be hypogene hematite), zoning, and mineralization support a separate and later mineralizing event
   Forms most of the "bulk gold" targets

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

La Union Area Mineralization

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

San Miguel-Elyca-Empalme Area Mineralization

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

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

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

boundary.

Monte Cristo Area Mineralization

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

Guazapares Area Mineralization

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

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

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

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

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

Temoris Project Area Mineralization

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

them in 2011.

The targeted areas are:

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

EXPLORATION

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

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

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

Geologic Mapping

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

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

Trenching

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

The trenching contractor was Excavadores Perez of Guadalupe Victoria, state of Durango. A tire-mounted hydraulic backhoe with a 24 inch wide bucket was utilized and trenches were excavated approximately perpendicular to the structures (roughly east-west). Excavation length was dependant on suspected width of mineralization, topography and local ground conditions. Trenches were dug as deep as the bedrock hardness would allow, generally to a depth of 1.5 to 2.5 meters and rarely to 3.5 meters. The end points and inflection points of all trenches were surveyed. All trenches were mapped for lithology, alteration, structural controls of mineralization and oxidation and were sampled in detail. Our geologists usually mapped the north wall as a standard procedure and because of the better light conditions. Areas to be sampled were marked by the geologist. Samples were collected from near the base of the trench wall. For safety, trenches were back-filled shortly after mapping and sampling was completed. Trench mapping and sampling has been a useful exploration tool at the San Miguel project. It is anticipated that trenching will be utilized again at the Project to follow-up geophysical results in areas that have limited outcrop exposure.

Drilling

Exploration Program and Budget

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

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

DRILLING

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

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

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

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

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

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

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

The drill hole collar coordinates and elevations are initially located using handheld GPS receivers in UTM coordinates (NAD27 Mexico datum). Upon completion of drill holes, the collars are re-surveyed by survey contractor Lopez Olivas and Associates of Hermosillo, Sonora utilizing a high-accuracy DGPS survey instrument. Layne completes down-hole directional surveys on all diamond drill holes at approximately 50m intervals. Initial holes were surveyed using a single-shot camera system. Downhole surveys are now completed with a Reflex single shot digital survey tool.

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

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

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

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

San Francisco area:

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

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

South San Francisco Target Area:

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

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

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

Drill Hole	Drill Hole Type	From (meters)	To (meters)	Length (meters)	Au g/t	Ag g/t
RCSF-10-06	Reverse circulation	141.7	147.8	6.1	0.85	19.6
		182.9	185.9	3.0	1.33	52.8
		224.0	272.8	48.8	0.91	5.6
		300.2	306.3	6.1	1.08	2.4
RCSF-10-7	Reverse circulation	73.2	102.1	28.9	1.74	29.8
		176.8	192.0	15.2	1.49	2.6

RCSF-10-08	Reverse circulation	25.9	36.6	10.7	0.98	19.7
		140.2	182.9	42.7	1.48	7.4
RCSF-10-09	Reverse circulation	192.0	199.6	7.6	0.43	3.3
RCSF-10-10	Reverse circulation	111.3	115.8	4.5	1.02	10.5
		140.2	153.9	13.7	1.36	9.9
		167.6	176.8	9.2	1.43	5.1
		195.1	198.1	3.0	1.30	12.7
RCSF-10-11	Reverse circulation	153.9	169.2	15.3	2.05	8.7
RCSF-10-12	Reverse circulation	45.7	54.9	9.2	1.33	27.7
		83.8	111.3	27.5	1.73	10.9

Drill Hole	Drill Hole Type	From (meters)	To (meters)	Length (meters)	Au g/t	Ag g/t
		138.7	153.9	15.2	0.55	3.2
		176.8	190.5	13.7	1.07	0.8
RCSF-10-13	Reverse circulation	9.1	13.7	4.6	1.11	10.2
		62.5	74.7	12.2	1.76	42.4
RCSF-10-14	Reverse circulation	109.7	112.8	3.1	1.03	5.3
SF-10-11	CORE	19.8	29.3	9.5	0.71	5.2
		82.8	88.9	6.1	8.78	36.4
SF-10-12	CORE	36.1	51.0	14.9	0.97	23.8
SF-10-15	CORE	20.0	24.5	4.5	0.90	9.5
		108.8	136.9	28.1	1.26	7.0
SF-10-16	CORE	No significant results				

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

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

North San Francisco Target Area:

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

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

Monte Cristo area.

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

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

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

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

SAMPLING METHOD AND APPROACH

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

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

SAMPLE PREPARATION, ANALYSES AND SECURITY

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

Sample Preparation

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

Analytical Procedures

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

DATA VERIFICATION

Quality Assurance / Quality Control (QA/QC)

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

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

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

Precision

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

Contamination

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

External Check Assays

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

Metallic Screen Gold Fire Assays

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

If there is significant coarse gold in the +100 µm fraction there should be a significantly higher gold value for the coarse fraction than the fine fractions. In the case of Paramount’s samples, the median of the coarse fraction is actually lower than the fine fractions and the mean, which is influenced by some of the extreme values, is only slightly higher. Using the median values there is a greater difference between the two fine fraction analyses than there is between the coarse fraction and average of fine fraction assays. It is inferred that the gold is actually quite fine grained, with the same amount reporting to the fine and coarse fractions. If the gold in the coarse fraction is composed of fine grains attached to some of the coarser rock or mineral particles we would get this result. The gold can still be erratically distributed.

Deposit Geology

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

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

NEVADA EXPLORATIONS

Summary:

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

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

X-Cal presently holds interests in four gold prospects; the Sleeper Gold Property, located in Humboldt County, Nevada, the Mill Creek Property and the Reese River Property both located in Lander County, Nevada, and WR Claims in the Spring Valley Area located in Pershing County, Nevada, United States. Our focus will be the exploration of the Sleeper Gold Property located in Humboldt County, Nevada.

Sleeper Gold Property

Location

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

Titles

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

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

Mineralization

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

Four main types of gold mineralization are found within the Sleeper deposit and may represent a continuum as the system evolved from a high level, high sulphidation system dominated by intrusion related fluids and volatiles to a low sulphidation meteoric water dominant system (Corbett, 2005, Utterback, 2005, Histed, 2005). In this setting the paragenetic relationships of the differing mineralization styles are as follows:

Early - quartz-pyrite-marcasite stockwork
Intermediate - medium-grade, silica-pyrite-marcasite cemented breccias localized on zones of structural weakness
Late - high-grade, banded, quartz-adularia-electrum-(sericite) veins
Post - alluvial gold-silver deposits in Pliocene gravels

Power and Water

As a result of AMAX Inc. mine operation from 1986 to 1996, electrical power is provided to the property by powerlines. Water is available by two deep water wells located on the property.

Drilling and Exploration

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

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

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

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

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

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

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

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

Mill Creek Property

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

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

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

permeability after fracturing, and chemical reactivity of those rocks to alteration by hydrothermal fluids.

This property is without a known mineral reserve and there is no current exploratory work being performed.

Reese River Property

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

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

This property is without a known mineral reserve and there is no current exploratory work being performed.

Spring Valley Property

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

This property is without a known mineral reserve and there is no current exploratory work being performed.

Part II

PART II, Item 6. Selected Financial Data

The following consolidated financial data has been derived from and should be read in conjunction with our audited financial statements for the years ended June 30, 2006 through 2010. Our audited financial statements for the years ended June 30, 2006 through 2009 are included in the Company's annual reports for the years ended June 30, 2006 through 2009. These reports can be found on the Securities and Exchange Commission's website located at www.sec.gov

	Year Ended June 30, 2010 (Audited)	Year Ended June 30, 2009 (Audited)	Year Ended June 30, 2008 (Audited)	Year Ended June 30, 2007 (Audited)	Year Ended June 30, 2006 (Audited)
Revenue	$35,853	$249,082	$457,562	$268,605	$6,860
Expenses	$10,248,026	$7,490,261	$18,867,523	$15,938,494	$1,881,322
Cash	$21,380,505	$7,040,999	$3,199,848	$16,231,388	$465,791
Total Assets	$46,328,181	$27,457,795	$11,932,328	$22,189,838	$3,848,669
Current Liabilities	$6,410,090	$383,445	$1,714,620	$779,345	$429,246
Total Liabilities	$6,410,090	$383,445	$1,714,620	$779,345	$429,246
Working Capital	$22,750,664	$8,116,541	$4,119,068	$18,137,737	$444,320
Accumulated Deficit	$61,187,098	$43,197,264	$35,956,085	$17,546,124	$1,876,235

PART II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

The Company holds cash balances in both U.S. and Canadian dollars. We transact most of our business in US and Canadian dollars. Some of our expenses, including labor and operating supplies are denominated in Mexican Pesos. As a result, currency exchange fluctuations may impact our operating costs. We do not manage our foreign currency exchange rate risk through the use of financial or derivative instruments, forward contracts or hedging activities.

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

Interest Rate Risk

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

PART II, Item 8. Financial Statements and Supplementary Data

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

PART IV, Item 15. Exhibits, Financial Statement Schedules

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARAMOUNT GOLD AND SILVER CORP.

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

Date: December 22, 2010

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

Date: December 22 , 2010

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ CHRISTOPHER CRUPI Christopher Crupi	President and Chief Executive Officer/Director	December 22, 2010
/s/ CARLO BUFFONE Carlo Buffone	Chief Financial Officer	December 22, 2010
/s/ JOHN CARDEN John Carden	Director	December 22, 2010
/s/ RUDI P. FRONK Rudi P. Fronk	Director	December 22, 2010
/s/ ELISEO GONZALEZ-URIEN Eliseo Gonzalez-Urien	Director	December 22, 2010
/s/ MICHEL YVAN STINGLHAMBER Michel Yvan Stinglhamber	Director	December 22, 2010
/s/ ROBERT DINNING Robert Dinning	Director	December 22, 2010
/s/CHRISTOPHER REYNOLDS Christopher Reynolds	Director	December 22,2010
/s/SHAWN KENNEDY Shawn Kennedy	Director	December 22, 2010

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Index to Consolidated Financial Statements

(Audited)

Year ended June 30, 2010, 2009 and 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

MEYERS NORRIS PENNY LLP

Vancouver, BC
September 13, 2010

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
2300 – 1055 DUNSMUIR STREET VANCOUVER, BC V7X 1J1
PH. (604) 685-8408 FAX (604) 685-8594 www.mnp.ca

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

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

	39,918,091	27,074,350
	$46,328,181	$27,457,795

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

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

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Statements of Operations (Audited)
For the Year Ended June 30, 2010 , June 30, 2009 and June 30, 2008
(Expressed in United States dollars, unless otherwise stated)

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

Loss per Common share			
Basic	$ 0.06	$ 0.12	$ 0.38
Diluted	$ 0.06	$ 0.11	$ 0.38
Weighted Average Number of Common Shares Used in Per Share Calculations			
Basic	98,617,938	62,941,467	47,703,566
Diluted	98,617,938	65,433,659	47,703,566

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

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Statements of Cash Flows (Audited)
For the Year Ended June 30, 2010, June 30, 2009 and June 30, 2008
(Expressed in United States dollars, unless otherwise stated)

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

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

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

PARAMOUNT GOLD AND SILVER CORP.
(An Exploration Stage Mining Company)
Consolidated Statement of Stockholders' Equity (Audited)
For the Period Ended June 30, 2010, June 30, 2009 and June 30, 2008
(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Deficit	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders Equity
Balance at September 30, 2005	11,267,726	$ 11,268	$ 1,755	$ (1,773)	$ —	$ —	$ 11,250
Forward split	45,267,726	45,267	(45,267)	—	—	—	—
Returned to treasury	(61,660,000)	(61,660)	61,660				—
Capital issued for financing	48,289,835	48,291	20,320,683	—	—	—	20,368,974
Capital issued for services	4,157,500	4,157	9,477,295	—	—	—	9,481,452
Capital issued for mineral properties	1,178,519	1,179	2,682,617	—	—	—	2,683,796
Capital issued on settlement of notes payable	39,691	39	105,541	—	—	—	105,580
Fair Value of warrants	—	—	—	—	8,460,682		8,460,682
Stock based compensation	—	—	—	—	5,080,263	—	5,080,263
Foreign currency translation	—	—	—	—	—	(19,977)	(19,977)
Net Income (loss)	—	—	—	(35,954,312)	—	—	(35,954,312)
Balance at June 30, 2008	48,540,997	48,541	32,604,284	(35,956,085)	13,540,945	(19,977)	10,217,708
Capital issued for financing	16,707,791	16,707	5,828,684	—	—	—	5,845,391
Capital issued for services	1,184,804	1,185	683,437	—	—	—	684,622
Capital issued from stock options exercised	384,627	385	249,623	—	(237,008)	—	13,000
Capital issued for mineral	16,200,000	16,200	13,140,250	—	—	—	13,156,450

properties							
Fair Value of warrants	—	—	—	—	3,612,864	—	3,612,864
Stock based compensation	—	—	—	—	1,052,709	—	1,052,709
Foreign currency translation	—	—	—	—	—	(267,215)	(267,215)
Net Income (loss)	—	—	—	(7,241,179)	—	—	(7,241,179)
Balance at June 30, 2009	83,018,219	$ 83,018	$ 52,506,278	$ (43,197,264)	$ 17,969,510	$ (287,192)	$ 27,074,350
Capital issued for financing	18,400,000	18,400	21,371,043	—	—	—	21,389,443
Capital issued from stock options and warrants exercised	8,351,36060	8,351	16,361,552	—	(3,841,264)		12,528,639
Capital issued for mineral properties	300,000	300	374,700	—	—	—	375,000
Fair Value of warrants	—	—	—	—			
Stock based compensation	—	—	—	—	309,840	—	309,840
Transition Adjustment (Note 2)	—	—	—	(12,637,875)			