

PARAMOUNT GOLD & SILVER CORP.
Form 10-Q
May 15, 2009

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

FORM 10-Q

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

For the quarterly period ended: **March 31, 2009**

or

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

For the transition period from: _____ to _____

Paramount Gold and Silver Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-336630
(Commission
File Number)
346 Waverley Street

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

Ottawa, Ontario, Canada K2P 0W5

(Address of Principal Executive Office) (Zip Code)

(613) 226-9881

(Registrant's telephone number, including area code)

N/A

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days. Yes No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date: 82,659,349 as of May 1, 2009.

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Financial Statements

(Unaudited)

Period ended March 31, 2009 and 2008

PART I. FINANCIAL INFORMATION**Item 1.****Financial Statements****PARAMOUNT GOLD AND SILVER CORP.**

(An Exploration Stage Mining Company)

Consolidated Balance Sheets (Unaudited)**As at March 31, 2009 and June 30, 2008**

(Expressed in United States dollars, unless otherwise stated)

	As at March 31,		As at June 30,
	2009 (Unaudited)		2008 (Audited)
Assets			
Current Assets			
Cash and cash equivalents	\$ 7,929,751	\$	3,199,848
Amounts receivable	237,064		1,384,492
Notes Receivable (Note 9)	391,364		870,000
Prepaid and Deposits	45,552		379,348
	8,603,730		5,833,688
Long Term Assets			
Mineral properties (Note 7)	18,258,952		4,738,747
Fixed assets (Note 8)	542,326		354,996
GIC	1,029,205		1,004,897
	19,830,483		6,098,640
	\$ 28,434,214	\$	11,932,328

Liabilities and Shareholders Equity

Liabilities

Current Liabilities

Accounts payable	\$	576,020	\$	1,714,620
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Shareholders Equity

Capital stock (Note 5)		82,633		48,541
Additional paid in capital		52,420,247		32,604,284
Contributed surplus		18,284,910		13,540,945
Deficit accumulated during the exploration stage		(42,656,079)		(35,956,085)
Cumulative translation adjustment		(273,517)		(19,977)
		27,858,194		10,217,708
	\$	28,434,214	\$	11,932,328

Commitments (Note 13) Subsequent Events (Note 15)

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Operations (Unaudited)

(Expressed in United States dollars, unless otherwise stated)

	Three Month	Nine Month	Three Month	Nine Month	Cumulative
	Period Ended	Period Ended	period ended	Period ended	Since
	March 31,	March 31,	March 31,	March 31,	Inception
	2009	2009	2008	2008	March 29,
					2005 to
					March 31,
					2009
Revenue					
Interest Income	\$ 45,207	\$ 195,415	\$ 81,146	\$ 417,704	\$ 928,441
Expenses:					
Incorporation Costs					1,773
Exploration	251,185	2,041,450	1,657,369	5,386,539	14,509,527
Professional Fees	262,469	671,043	288,922	814,729	2,914,787
Travel & Lodging	44,781	159,119	121,150	310,178	786,805
Geologist Fees & Expenses	29,047	508,916	432,349	638,792	2,371,971
Corporate Communications	70,368	209,066	135,202	454,035	1,095,663
Consulting Fees	3,367	74,293	7,907	147,536	556,527
Marketing	98,813	418,240	275,861	775,159	1,513,414
Office & Administration	143,709	682,447	133,160	356,883	1,461,970
Interest & Service Charges	1,129	5,120	3,081	8,405	25,331
Loss on disposal of Fixed Assets		44,669	9,275	9,275	44,669

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Insurance	15,170	63,989	23,861	56,145	215,352
Amortization	25,089	77,367	24,663	73,943	208,269
Rent	12,788	56,674	29,410	66,173	243,144
Miscellaneous	(17,931)	(20,028)	187	3,617	(30,244)
Financing	79,066	91,592		93,384	184,976
Stock Based Compensation	1,264,291	1,811,444	1,574,500	5,820,767	16,009,340
Write Down of Mineral Property					1,471,049
Total Expense	2,283,341	6,895,409	4,716,897	15,015,559	43,410,578
Net Loss	2,238,133	6,699,994	4,635,751	14,597,856	42,656,079
Other comprehensive loss					
Foreign Currency Translation Adjustment	28,648	253,540	27,548	8,993	273,517
Total Comprehensive Loss for the Period	\$ 2,266,781	\$ 6,953,534	\$ 4,663,299	\$ 14,606,849	\$ 42,929,596
Basic & Diluted Loss per Common Share	\$ 0.07	\$ 0.11	\$ 0.096	\$ 0.308	
Weighted Average Number of Common Shares Used in Per Share Calculations	67,678,057	85,384,442	48,238,689	47,245,033	

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Cash Flows**(Unaudited)**

(Expressed in United States dollars, unless otherwise stated)

	For the Nine Month Period Ended March 31, 2009	For the Nine Month Period Ended March 31, 2008	Cumulative Since Inception to March 31, 2009
Operating Activities:			
Net Loss	\$ (6,699,994)	\$ (14,597,866)	\$ (42,656,079)
Adjustment for:			
Amortization	77,367	73,943	208,269
Allowance for doubtful accounts	172,170		172,170
Loss on disposal of assets	44,669		44,669
Stock based compensation	1,811,444	5,820,777	16,226,076
Write-down of mineral properties			1,471,049
(Increase) Decrease in accounts receivable	911,530	(129,665)	(384,405)
(Increase) Decrease in prepaid expenses	256,337	(230,564)	58,411
Increase (Decrease) in accounts payable	(1,138,600)	115	343,999
Cash used in Operating Activities	(4,564,600)	(9,063,260)	(24,536,364)
Investing Activities:			
(Increase) Decrease in GIC	(24,308)		(1,029,205)

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(Increase) Decrease in Note receivable	521,364		(391,364)
Purchase of Mineral Properties	(312,000)	(1,000,000)	(3,186,804)
Purchase of Equipment	(343,443)	(153,749)	(829,361)
Cash used in Investing Activities	(158,388)	(1,153,749)	(5,436,734)
Financing Activities:			
Increase (decrease) in demand notes payable			105,580
Issuance of capital stock	9,570,493	2,250,000	37,967,397
Cash from Financing Activities:	9,570,493	2,250,000	38,072,977
Effect of exchange rate changes on cash	(117,602)	(8,992)	(170,128)
Increase (Decrease) in Cash	4,729,902	(7,976,001)	7,929,750
Cash, beginning	3,199,848	16,231,388	
Cash, ending	\$ 7,929,750	\$ 8,255,387	\$ 7,929,750
Supplemental Cash Flow Disclosure:			
Interest Received	\$ 194,415	\$ 417,704	
Taxes Paid			
Cash	7,537,467	791,366	
Short term investments	392,283	7,464,021	

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statement of Stockholders' Equity**For the Period Ended March 31, 2009**

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings (Deficiency)	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders' Equity
Balance at inception		\$	\$	\$	\$	\$	\$
Balance September 30, 2005	11,267,726	11,268	1,755	(1,773)			11,250,000
Capital issued for financing	34,000,000	34,000					34,000,000
Reverse stock split	45,267,726	45,267	(45,267)				
Shares returned to treasury	(61,660,000)	(61,660)	61,600				
Capital issued for financing	1,301,159	1,301	3,316,886				3,318,187
Capital issued for services	280,000	280	452,370				452,650
Capital issued for mineral properties	510,000	510	1,033,286				1,033,796
Fair value of warrants					444,002		444,002
Net Income (Loss)				(1,874,462)			(1,874,462)
Balance June 30, 2006	30,966,611	30,966	4,820,690	(1,876,235)	444,002		3,419,423

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Capital issued for financing	11,988,676	11,990	15,225,207				15,237,197
Capital issued for services	3,107,500	3,107	7,431,343				7,434,450
Capital issued for mineral properties	400,000	400	1,159,600				1,160,000
Capital issued settlement of notes payable	39,691	39	105,541				105,580
Fair value of warrants					7,546,270		7,546,270
Stock based compensation					2,169,050		2,169,050
Foreign currency translation adjustment						8,412	8,412
Net Income (loss)				(15,669,889)			(15,679,889)
Balance at June 30, 2007	46,502,478	46,502	28,742,381	(17,546,124)	10,159,322	8,412	21,410,493

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statement of Stockholders' Equity**For the Period Ended March 31, 2009**

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings (Deficiency)	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders' Equity
Balance at							
June 30, 2007	46,502,478	46,502	28,742,381	(17,546,124)	10,159,322	8,412	21,410,493
Capital issued for financing	1,000,000	1,000	1,778,590				1,779,590
Capital issued for services	770,000	770	1,593,582				1,594,352
Capital issued for mineral properties	268,519	269	489,731				490,000
Fair Value of warrants					470,410		470,410
Stock based compensation					3,069,585		2,911,213
Foreign currency translation						(28,389)	(28,389)
Net Income (loss)				(18,409,961)			(18,409,961)
Balance at							
June 30, 2008	48,540,997	48,541	32,604,284	(35,956,085)	13,540,945	(19,977)	10,217,708
Capital issued for financing	1,071,429	1,071	1,454,251				1,455,322
	251,206	251	210,737				210,988

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Capital issued for services							
Capital issued for mineral properties	7,650,000	7,650	8,920,800				8,928,450
Fair Value of warrants					31,628		31,628
Stock based compensation					139,804		139,804
Foreign currency translation						(32,294)	(32,294)
Net Income (loss)				(3,061,378)			(3,061,378)
Balance at September 30, 2008	57,513,632	57,513	43,190,072	(39,017,464)	13,712,377	(52,271)	17,890,227
Capital issued for financing	3,636,362	3,636	1,150,854				1,154,490
Capital issued for services	166,555	167	65,349				65,516
Capital issued for mineral properties	500,000	500	274,500				275,000
Fair Value of warrants					218,236		218,236
Stock based compensation					135,124		135,124
Foreign currency translation						(192,598)	(192,598)
Net Income (loss)				(1,400,482)			(1,400,682)
Balance at December 31, 2008	61,816,549	61,816	44,680,375	(40,417,946)	14,065,737	(244,869)	18,144,913

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statement of Stockholders Equity**For the Period Ended March 31, 2009**

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Capital in Excess of Par Value	Accumulated Earnings (Deficiency)	Contributed Surplus	Cumulative Translation Adjustment	Total Stockholders Equity
Capital issued for financing	12,000,000	12,000	3,185,571				3,197,571
Capital issued for services	767,043	767	407,351				408,118
Capital issued for mineral properties	8,050,000	8,050	4,016,550				4,024,600
Fair Value of warrants					3,363,000		3,363,000
Stock based compensation					856,173		856,173
Foreign currency translation						(28,648)	(28,648)
Net Income (loss)				(2,238,133)			(2,238,133)
Balance at March 31, 2009	82,633,592	82,633	52,420,247	(42,656,079)	18,284,910	(273,517)	(27,858,194)

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Period Ended March 31, 2009

(Expressed in United States dollars, unless otherwise stated)

1.

Basis of Presentation:

a)

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

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's consolidated financial statements filed as part of the Company's March 31, 2009, Quarterly Report on Form 10-Q.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company's consolidated financial position at March 31, 2009 and the consolidated results of operations and consolidated statements of cash flows for the period ended March 31, 2009.

b)

Use of Estimates

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

c)

Exploration Stage Enterprise

The Company's consolidated financial statements are prepared using the accrual method of accounting and according to the provision of Statement of Financial Accounting Standards (SFAS) No. 7, *Accounting and Reporting for Development Stage Enterprises* , as it were devoting substantially all of its efforts to acquiring and exploring mineral properties. It is industry practice that mining companies in the development stage are classified under Generally Accepted Accounting Principles as exploration stage companies. Until such properties are acquired and developed, the Company will continue to prepare its consolidated financial statements and related disclosures in accordance with entities in the exploration or development stage.

2.

Principal Accounting Policies

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

Cash and Cash Equivalents

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Period Ended March 31, 2009

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* . The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. The fair market value of the Company's financial instruments comprising cash, accounts receivable and accounts payable and accrued liabilities were estimated to approximate their carrying values due to immediate or short-term maturity of these financial instruments. The Company maintains cash balances at financial institutions which at times, exceed federally insured amounts. The Company has not experienced any material losses in such accounts.

GIC

The GIC is non-redeemable until May 7, 2010 and bears an interest rate of 3.25%.

Notes Receivable

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

Stock Based Compensation

The Company has adopted the provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employees' requisite service period (generally the vesting period of the equity grant).

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income* establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As of September 30, 2008, the Company's only component of comprehensive income was foreign currency translation adjustments.

Long Term Assets

Mineral Properties

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Period Ended March 31, 2009

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

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

Fixed Assets

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

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

Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future periods; and accordingly is offset by a valuation allowance. FIN No.48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken into in tax returns.

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

Foreign Currency Translation

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

The functional currencies of the Company's wholly-owned subsidiaries are the Mexican peso and Peruvian sol. The financial statements of the subsidiaries are translated to United States dollars in accordance with SFAS No. 52 using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Period Ended March 31, 2009

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

Asset Retirement Obligation

The Company has adopted SFAS No. 143 *Accounting for Asset Retirement Obligations*, which requires that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The cost of the tangible asset, including the initially recognized ARO, is depleted, such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion expense is recognizable over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash flow, discounted at the Company's credit-adjusted-risk-free interest rate. To date, no material asset retirement obligation exists due to the early stage of the Company's mineral exploration. Accordingly, no liability has been recorded.

Environmental Protection and Reclamation Costs

The operations of the Company have been, and may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not predictable.

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

Basic and Diluted Net Loss Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, *Earnings per Share*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS give effect to all dilutive potential common shares outstanding during the period using the treasury stock method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the

exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive. The basic and diluted EPS has been retroactively restated to take into effect the 2 for 1 stock split that occurred on July 11, 2005.

Concentration of Credit and Foreign Exchange Rate Risk

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

3.

Recently Adopted Accounting Policies:

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Unaudited)

For the Period Ended March 31, 2009

(Expressed in United States dollars, unless otherwise stated)

3.

Recently Adopted Accounting Policies: (Continued)

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

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS 13. SFAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions

developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under SFAS 157 are described below:

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

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

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

	Fair Value at March 31, 2009			
	Total	Level 1	Level 2	Level 3
Assets	\$	\$	\$	\$
Cash equivalents	7,929,751	7,929,751		
GIC	1,029,205	1,029,205		

The Company's cash equivalents and GIC are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash equivalents that are valued based on quoted market prices in active markets are primarily comprised of commercial paper, short-term certificates of deposit and U.S. Treasury securities.

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4. Non-Cash Transactions:

During the nine month periods ended March 31, 2009 and 2008, the Company entered into certain non-cash activities as follows:

	2009	2008
Financing Activities		
Issuance of shares for consulting and geological services	\$ 684,622	\$ 1,366,315
Investing Activities		
Common shares issued for mineral properties	13,220,400	50,000
During the period ended March 31, 2009, the company issued 767,043 common shares (2008 - 595,000 common shares) valued at \$408,188 (2008 - \$1,178,100) in exchange for services rendered. This amount has been expensed as stock based compensation.		

During the period ended March 31, 2009, the company issued 166,555 common shares (2008 - 50,000 common shares) in exchange of services rendered at trading values between \$0.36 and \$0.64 for a total consideration of \$65,516 (2007 - \$87,500). As at December 31, 2008, \$65,516 (2007 - \$22,055) has been expensed as stock based compensation.

During the period ended March 31, 2009, the company issued 251,206 common shares (2008 - 175,000 common shares) in exchange of services rendered at trading values ranging between \$1.27 and \$0.64 per share for total consideration of \$210,988 (2008 - \$416,250). As at December 31, 2007, \$210,988 (2008 - \$68,413) has been expensed as stock based compensation.

During the period ended March 31, 2009, the Company issued 6,000,000 common shares as payment on its purchase of the interest of Garibaldi Resources Corp. in the Temoris property, valued at \$3,000,000.

During the period ended March 31, 2009, the Company issued 1,350,000 common shares as payment for the purchase of 100% of the shares of a company with other claims to the Temoris Concessions in Mexico. The share value was recorded at a trading value of \$0.50 for a consideration of \$675,000.

During the period ended March 31, 2009, the company issued 500,000 common shares as payment on the Vidette Lake property, share issuance was recorded at a trading value of \$ 0.55 for total consideration of \$275,000.

During the period ended March 31, 2009, the Company issued 7,650,000 common shares (2008 18,519) to purchase a mineral property valued at \$8,928,450. This amount has been capitalised as mineral property acquisition costs (2008 - \$50,000).

An amount of \$77,549, previously included in prepaid expenses, has been expensed to stock-based compensation in recognition of services rendered. The common shares were issued in the previous year.

5.

Capital Stock:

Authorized capital stock consists of 200,000,000 common shares with par value of \$0.001 each. Capital stock transactions of the Company during the period ended December 31, 2008 are summarized as follows:

During the period ended March 31, 2009, the Company issued 6,000,000 common shares and \$400,000 as payment for the full assignment to the Company of all legal beneficial rights in and to the Temoris Project in Mexico and the Option Agreement. The share value was recorded at a trading value of \$0.50 for a consideration of \$3,000,000.

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5.

Capital Stock: (Continued)

During the period ended March 31, 2009, the Company issued 1,350,000 common shares as payment for the purchase of 100% of the shares of a company which held legal title to the claims to the Temoris Project in Mexico. The share value was recorded at a trading value of \$0.50 for a total consideration of \$675,000.

During the period ended March 31, 2009, the Company issued 12,000,000 Units at a price of \$0.60 (CDN \$0.75) per Unit, for proceeds of \$6,560,571 net of issuance costs. Each unit consists of one share of common stock and one common stock purchase warrant. Each warrant entitles the holder to purchase one common stock of the Company at an exercise price of \$0.84 (CDN \$1.05) for a period of four years. The company has allocated the fair value of the warrants of \$3,363,000 to contributed surplus. Pursuant to the private placement the Company issued 840,000 agent compensation warrants. Each agent compensation warrant entitles the holder to purchase one common stock of the Company at an exercise price of \$0.84 (CDN \$1.05) for a period of 4 years. The share purchase warrants are non transferrable and cannot be exercised until six months and one day after issuance.

During the period ended December 31, 2008, the Company issued 3,636,362 of Flow-Through Units at a price of \$0.45 (CDN \$0.55) per unit, for a total consideration of \$1,636,362 (CDN \$ 2,000,000). Each unit consists of 1 Flow Through common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one non-flow through common share at a price of CDN \$1.00 per common share to December 31, 2009. Subsequently to December 31, 2009, each warrant entitles the holder thereof to acquire one non-flow through common share at a price of CDN \$1.25 per common share to December 31, 2010. A fair value of \$218,236 has been allocated to the warrants issued in the transaction. The Company recorded share issuance costs of \$134,036 pursuant to the private placement.

During the period ended March 31, 2009, the Company issued 166,555 common shares in exchange of services rendered at trading values between \$0.36 and \$ 0.64 for a total consideration of \$65,516, this amount has been expensed as stock based compensation.

During the nine month period ended March 31, 2009, the Company issued 251,206 common shares (2007 125,000 common shares) in exchange of services rendered at trading values ranging between \$1.27 and \$0.64 per share for total consideration of \$210,988 (2007 - \$416,250). \$210,988 (2007 - \$68,413) has been expensed as stock based compensation.

On August 4, 2008, the Company completed a private placement financing of 1,000,000 units priced at CDN \$1.40 per unit for proceeds of \$1,400,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$2.10 per common share for a period of one year.

On August 4, 2008, the Company completed a private placement financing of 71,429 units priced at CDN \$1.40 per unit for proceeds of \$100,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$2.50 per common share for a period of two years.

During the period ended March 31, 2009, the company issued 500,000 common shares as payment on the Vidette Lake property, share issuance was recorded at a trading value of \$ 0.55 for total consideration of \$ 275,000.

During the six month period ended December 31, 2008, the Company issued 7,650,000 common shares (2007 18,519) to purchase a mineral property valued at \$8,928,450. This amount has been capitalised as mineral property acquisition costs (2007 - \$50,000).

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5.**Capital Stock: (Continued)**

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

	Exercise	Number	Remaining
	price	of warrants	contractual life
			(years)
Warrants	3.25	1,000,000	0.48
Warrants	2.10	500,000	0.31
Warrants	2.50	35,715	1.31
Warrants	1.00	3,636,362	1.75
Agent compensation warrants	0.84	840,000	3.96
Warrants	0.84	12,000,000	3.96
Outstanding and exercisable at March 31, 2009		18,012,077	

During the period ended March 31, 2009 the Company issued 12,840,000 warrants pursuant to private placement agreements at an exercise price of \$0.84 (CDN \$1.05).

During the period ended March 31, 2009 the Company issued 3,636,362 warrants pursuant to private placement agreements at an exercise price of \$1.00 to December 31, 2009. Subsequent to December 31, 2009 each warrant entitles the holder to acquire one common share at an exercise price of \$1.25 to December 31, 2010.

During the nine month period ended March 31, 2009 the Company issued 500,000 warrants pursuant to a private placement agreement at an exercise price of \$2.10 for a period of one year.

During the nine month period ended March 31, 2009 the Company issued 35,715 warrants pursuant to a private placement agreement at an exercise price of \$2.50 for a period of two years.

	March 31, 2009	June 30, 2008
Risk free interest rate	0.40%	4.50%

Expected life of warrants	1 - 2 years	2 years
	95% -	
Expected stock price volatility	114%	62%
Expected dividend yield	0%	0%

6.

Related Party Transactions:

During the period ended March 31, 2009, directors received payments on account of professional fees and reimbursement of expenses in the amount of \$178,116 (2008: \$132,616).

During the period ended March 31, 2009, the Company issued 5,764 common shares to a director (2008- 195,000 common shares) for services rendered at trading value of \$0.36 (2008 - \$1.98) per share for total consideration of \$2,075 (2008 - \$386,100).

During the period ended March 31, 2009 the Company made payments pursuant to a premises lease agreement with a corporation having a shareholder in common with a director of the company (see Note 13).

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7.

Mineral Properties:

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

	2009	2008
Vidette Lake	\$ 275,000	\$
Temoris	4,254,754	
Iris	50,000	
Morelos	100,000	
San Miguel Groupings	11,409,282	2,468,832
La Blanca	507,564	507,564
Santa Cruz	44,226	44,226
Andrea	20,000	20,000
Gissel	625	625
Cotaruse	10,000	10,000
Elyca	1,587,500	1,000,000
	\$ 18,258,951	\$ 4,051,247

a.

San Miguel Groupings

The company has purchased all of the rights to and interest in Tara Gold Resources Inc 's 30% share of the San Miguel Joint Venture, including the area of mutual interest agreement. The consideration was the issuance of 7,350,000

restricted common shares of Paramount Gold & Silver Corp. The company now owns 100% interest in the San Miguel Groupings located in near Temoris, Chihuahua, Mexico.

b. La Blanca

The Company has an option to acquire a 100% in the La Blanca property located in Guazapares, Chihuahua, Mexico. Pursuant to the option agreement, payments of \$180,000

have been made. Furthermore, the company must pay a royalty of \$1.00 for each ounce proven or probable gold reserves. No gold reserves have been discovered as at December 31, 2008. The Company has incurred \$500,000 in exploration expenses.

c.

Santa Cruz

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

d.

Andrea

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

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7.

Mineral Properties (Continued):

e.

Elyca

The company acquired the Elyca mining concession located in the municipality of Guazapares, State of Chihuahua for a total price of \$ 1,000,000. Pursuant to the purchase agreement the company issued an additional 250,000 shares to Minera Rio Tinto; share issuance was recorded at a trading value of \$1.76 for total consideration of \$ 440,000.

f. Temoris Option

A Letter of Intent was signed on September 19, 2008, for grant of option and joint venture on a portion of the Temoris Project controlled by Garibaldi Resources Corp and its Mexican wholly owned subsidiary Minera Pender S.A. de C.V. located in Chihuahua State, Mexico. The joint venture agreement would result in acquiring an interest in 17,208 hectares of property. The new agreement will cover approximately 6,657 hectares previously optioned in 2006 and adds several new parcels totaling 10,543 hectares under the umbrella of a joint venture.

Paramount has made an initial payment to Garibaldi in the amount of \$100,000. Paramount will earn a 50% interest by making an additional payment of \$400,000, issuing 600,000 restricted common shares, and spending \$700,000 on exploration. To increase its interest to 70%, Paramount must spend an additional \$1,000,000 in exploration expenditures within 30 months, make an additional payment of \$500,000, and issue an additional 400,000 restricted common shares.

Upon earning a 70% joint venture interest, Paramount may increase its interest to 80% within 30 months of the signing of the Agreement, exclusively and limited to the approximately 6,657 hectares referred to in the October 6, 2006, agreement. Subsequent to December 31, 2008, the Company entered into a new agreement with Garibaldi which on closing will supersede all previous agreements. See note 15- Subsequent event.

g.

Vidette Lake

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

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8.**Fixed Assets:**

	Cost	Accumulated Amortization	Net Book Value	
			2009	2008
Property and Equipment	\$ 701,212	\$ 158,886	\$ 542,326	\$ 354,996

During the period ended March 31, 2009, total additions to property, plant and equipment were \$ 343,443 (2008-\$153,749). During the period ended March 31, 2009 the Company recorded depreciation of \$77,366.

9. Notes Receivable:

The Company holds convertible notes receivable with face value of \$1,370,000 issued by Mexoro Minerals Ltd. pursuant to a Letter of Intent dated May 2, 2008 between Mexoro Minerals Ltd. (Mexoro) and Paramount Gold and Silver Corp. (Paramount) with respect to the proposed Strategic Alliance between Mexoro and Paramount. The interest rate of the convertible notes is 8%

		Maturity Date	Interest Rate	March 31,	June 30,
				2009	2008
Note Receivable	Mexoro Minerals	September 18, 2009	8% per annum	\$ 370,000	\$ 370,000
Note Receivable	Mexoro Minerals	May 7, 2009	8% per annum		500,000
		July 10, 2009	8% per annum		
Accrued Interest				21,364	

\$ 391,364 \$ 870,000

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

2009. In consideration of the Company's forbearance, Mexoro also agreed to issue to the Company 150,000 common shares of Mexoro.

10. Recent Accounting Pronouncements:

(i)

Accounting for Deferred Compensation and Post Retirement Benefit Aspects of Collateral Assignment Split Dollar Life Insurance

The Emerging Issues Task Force (EITF) reached consensus on EITF Issue No. 06-10, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements* (EITF 06-10), which requires that a company recognize a liability for the postretirement benefits associated with collateral assignment split-dollar life insurance arrangements. The provisions of EITF 06-10 are effective for the Company as of July 1, 2008. Adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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10. Recent Accounting Pronouncements: (Continued)

The Emerging Issues Task Force (EITF) reached consensus on EITF Issue No. 06-10, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements* (EITF 06-10), which requires that a company recognize a liability for the postretirement benefits associated with collateral assignment split-dollar life insurance arrangements. The provisions of EITF 06-10 are effective for the Company as of July 1, 2008. Adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

(ii)

Business Combinations

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

(vi)

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

(vii)

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement is effective for financial statements issued for fiscal periods beginning after November 15, 2008. Accordingly, the Company will adopt SFAS 161 in fiscal 2010.

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10. Recent Accounting Pronouncements: (continued)

(viii)

Accounting for Convertible Debt Instruments

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

11.**Segmented Information:**

Segmented information has been compiled based on the geographic regions that the company has acquired mineral properties and performs its exploration activities.

Loss for the period by geographical segment for the period ended March 31, 2009:

	United States		Peru		Mexico		Total
Interest income	\$ 141,036	\$	25,785	\$	28,594	\$	195,415

Expenses:

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Exploration	972,654	60,121	1,008,675	2,041,450
Professional fees	644,065		26,978	671,043
Travel and lodging	159,119			159,119
Geologist fees and expenses	355,692		225,224	580,916
Corporate communications	209,066			209,066
Consulting fees	74,293			74,293
Marketing	418,240			418,240
Office and administration	166,227	62,826	453,393	682,447
Interest and service charges	4,128	65	927	5,120
Loss on Disposal of Assets		44,669		44,669
Insurance	42,697		21,293	63,989
Amortization	34,280	5,258	37,829	77,367
Rent	56,674			56,674
Financing	91,592			91,592
Miscellaneous	(20,029)			(20,029)
Stock based compensation	1,811,444			1,811,444
Total Expenses	4,948,152	172,939	1,774,318	6,895,409
Net loss	\$ 4,807,115	\$ 147,154	\$ 1,745,725	\$ 6,699,994

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Notes to Consolidated financial statements**(Unaudited)****For the Period Ended March 31, 2009**

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11.**Segmented Information (Continued):**

Loss for the period by geographical segment for the period ended March 31, 2008:

	United States		Peru		Mexico		Total
Interest income	\$ 417,331	\$		\$	372	\$	417,704
Expenses:							
Exploration	(423,810)		34,370		5,775,979		5,386,539
Professional fees	814,313				416,		814,729
Travel and lodging	310,178						310,178
Geologist fees and expenses	82,074				290,990		508,916
Corporate communications	454,035						454,035
Consulting fees	147,536						147,536
Marketing	775,159						775,159
Office and administration	257,847		99,023		13		356,883
Interest and service charges	6,114				2,291		8,405
Franchise taxes	9,275						9,275
Insurance	48,309				7,836		56,145
Amortization	27,398		24,096		22,448		73,943
Rent	66,173						66,173
Miscellaneous	3,617						3,617
Financing	93,384						93,384
Stock based compensation	5,820,767						5,820,767
Total Expenses	8,696,699		218,888		6,099,973		15,015,559

Net loss	\$	8,279,368	\$	218,888	\$	6,099,600	\$	14,597,866
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Assets by geographical segment:

	United States	Peru	Mexico	Total
March 31, 2009				
Mineral properties	\$	\$ 10,000	\$ 18,248,951	\$ 18,258,951
Equipment	137,129		405,197	542,326
March 31, 2008				
Mineral properties	50,625	10,000	3,990,622	4,051,247
Equipment	\$ 127,749	\$ 88,582	\$ 134,984	\$ 351,315

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12. Employee Stock Option Plan:

On August 23, 2007, the board and shareholders approved the 2007/08 Stock Incentive & Compensation Plan thereby reserving an additional 4,000,000 common shares for issuance to employees, directors and consultants. During the period ended December 31, 2008, the board did not grant stock options. On February 24, 2009 the shareholders approved the 2008/09 Stock Incentive & Equity Compensation Plan thereby reserving an additional 3,000,000 common shares for future issuance. The Shareholders also approved the re-pricing of the exercise price of all outstanding stock options to \$0.65 per share.

Changes in the Company's stock options for the period ended December 31, 2008 are summarized below:

	Number	Weighted Avg. Exercise Price
Balance, beginning of period	4,734,500	\$ 2.43
Cancelled	377,500	2.30
Granted	570,000	0.65
Balance, end of period	4,927,000	\$ 0.65

At March 31, 2009, there were 4,927,000 exercisable options outstanding.

Stock Based Compensation

The Company uses the Black-Scholes option valuation model to value stock options granted. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following assumptions were used:

	2009
Risk free interest rate	0.40 %
Expected dividend yield	0 %
Expected stock price volatility	95% - 114 %
Expected life of options	1 to 3 years

During the period ended March 31, 2009 the Company recognized stock based compensation expense in the amount of \$391,767. The company recognized additional compensation expense of \$739,334 on the modification of the exercise price of all options outstanding to \$0.65 per option.

13.

Commitments:

Premises Lease

By a lease agreement dated July 6, 2006, with a company having a shareholder in common with a director of the Company, the Company agreed to lease office premises for three years commencing August 1, 2006 for the following consideration; 2009 - \$87,885.

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14.**Differences Between US and Canadian Generally Accepted Accounting Principles:**

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States (US GAAP). Set out below are the material adjustments to net loss for the periods ending December 31, 2008 and 2007 and to stockholders' equity at December 31, 2008 and 2007 in order to conform to accounting principles generally accepted in Canada (Canadian GAAP).

	Period ended March 31, 2009	Period ended March 31, 2008
Statement of Loss		
Net loss based on US GAAP	\$ (6,699,994)	\$ (14,597,856)
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 14a)	2,550,366	6,025,331
Net loss for the period based on Canadian GAAP	(4,149,628)	(8,572,525)
Stockholders' Equity	March 31, 2009	March 31, 2008
Stockholders' Equity based on US GAAP	\$ 27,858,194	\$ 13,450,837
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 14a)	13,411,329	8,010,053
Stockholders' Equity based on Canadian GAAP	41,269,523	21,460,890

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

Mineral Properties	March 31, 2009	March 31, 2008
US GAAP	\$ 18,258,952	\$ 4,051,247
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 14a)	13,411,329	8,010,053
Canadian GAAP	31,670,281	12,061,300

(a) Interest in Exploration Properties and Deferred Exploration Costs

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

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements**(Unaudited)****For the Period Ended March 31, 2009**

(Expressed in United States dollars, unless otherwise stated)

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

(b) Statement of Cash Flows

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

	March 31, 2009	March 31, 2008
Cash used in operating activities	\$ 2,014,234)	\$ (3,037,929)
Cash used in investing activities	(2,326,234)	(7,025,331)

(c) Recent Accounting Pronouncements

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five period transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the period ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Capital Disclosures

As a result of new Section 1535, Capital Disclosures, the Company will be required to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding an entity's objectives, policies and procedures for managing capital. This Section is applicable for the fiscal period beginning on July 1, 2008.

Disclosure and Presentation of Financial Instruments

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

Goodwill and Intangible Assets

The Accounting Standards Board has also issued a new Section 3064, Goodwill and Intangible Assets, to replace current Section 3062, Goodwill and Other Intangible Assets. The new section establishes revised standards for recognizing, measuring, presenting and disclosing goodwill and intangible assets. Canadian Institute of Chartered Accountants Handbook Section 3064 is effective for fiscal periods beginning on or after October 1, 2008 and will be adopted by the Company for the period ending September 30, 2009.

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operation

THE FOLLOWING DISCUSSION OF THE RESULTS OF OUR OPERATIONS AND FINANCIAL CONDITION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this quarterly report on Form 10-Q contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Readers should carefully review this quarterly report in its entirety, including but not limited to our financial statements and the notes thereto. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Background

Our Business:

We are an exploratory mining company with current operations in Mexico. We recently signed an option agreement to acquire an interest in the Vidette Lake Gold Mine in British Columbia, Canada.

San Miguel Groupings.

We are continuing further exploration of our holdings within the San Miguel groupings in Chihuahua, Mexico within the Sierra Madre Occidental. San Miguel is located in Chihuahua, Mexico and lies in the Temoris mining district, part of the gold-silver belt of the Sierra Madre Occidental, just a few kilometers northwest of the town of Temoris. The project covers approximately 800 acres with an estimated 10 kms of strike in the historic gold/silver mining district.

The Temoris mining district lies within a northwest trending belt of gold and silver deposits in the western portion of the Sierra Madre Occidental. Gold/silver mineralization in the project occurs as quartz veins and breccias within the west-northwest- and north-northwest-striking faults.

Our objective is to explore and develop the San Miguel and Andrea projects located in Chihuahua, Mexico within the Sierra Madre Occidental gold/silver belt. As of this date we have conducted preliminary exploration and defined over 20 gold/silver/copper target areas in the Andrea project area.

Paramount does not expect to generate revenues from the San Miguel project in the next year. Further, it is not Paramount's objective to enter the mine management business. Rather, the Company hopes to identify a resource that will enable it to attract a larger company to partner with this company who has experience developing and managing a mine.

The Company intends to commence a drill program at the San Miguel project in Mexico in the summer of 2009.

Tara Gold Resources Corp. Joint Venture:

On October 1, 2008, we closed an agreement with Tara Gold Resources Corp. (Tara Gold) to acquire all of the remaining equity ownership of the Joint Venture previously entered into between the parties on February 7, 2007. The agreement also provides for Paramount to acquire certain mining concessions owned by Tara Gold.

In consideration for the acquisition of the remaining equity interest (30%) owned by Tara Gold in the Joint Venture, Paramount has issued to Tara Gold a total of 7,350,000 shares of its legended common stock.. In addition, in consideration for the transfer of the mining concessions, Paramount will pay to Tara Gold \$100,000 MXN. The foregoing was held in escrow subject to the filing of the registration of the required documentation with the Bureau of Mines in Mexico. The documentation has been filed and all shares of stock have been to Tara Gold. Also in connection with this transaction, we issued a consultant 300,000 shares of our common stock.

Mexoro Minerals:

In order to increase drilling opportunities in the San Miguel region, we signed a Letter of Intent to create a strategic alliance with Mexoro Minerals Ltd . (Mexoro). The purpose of the strategic alliance was to collaborate exploration and development work, consolidate offices; and approach the market in a combined and unified manner.

In furtherance of these objectives, we loaned Mexoro a total of \$1,370,000 pursuant to three secured convertible debentures (the Debentures). Each of the Debentures is subject to a first ranking security interest which is secured by all the assets of Mexoro, including its common shares of its Mexican subsidiary SunBurst de Mexico S.A. de C.V and its mining concessions, equipment and all assets.. The Debenutres are due May 9, June 18 and July 11, 2009 respectively. The Debentures provide for interest at the rate of 8% per annum and may be converted into units of Mexoro at a conversion price of \$.50 per unit. Each unit consists of one share of Mexoro common stock and one half common stock purchase warrant. Each whole warrant entitles the holder thereof to purchase one share of Mexoro at an exercise price of \$.75 per share.

On March 17, 2009, in connection with a default by Mexoro, we entered into a Forebearance Agreement with Mexoro. (Mexoro) in connection with the default by Mexoro of three secured convertible debentures (the Debentures). In consideration for entry into the Forebearance Agreement, Mexoro has paid Paramount the sum of \$1 million representing repayment of the principal balance with respect to the First and Third Debenture. It was further agreed that with respect to the Second Debenture the principal balance will be increased by \$127,500, (the Second Amended Debenture). On or before March 31, 2009, Mexoro will pay the original principal balance and interest owing under the Amended Second Debenture plus legal fees which shall not exceed CDN \$15,000.00. The additional amount will be repaid in full by April 30, 2009. Paramount has released its security over the Cieneguita mining concessions but retains all other security interests including a charge of Mexoro s mining concessions in the Guazapares mining district. As additional consideration for Paramount s forbearance, Mexoro has issued to Paramount 150,000 (legended) common shares in the capital of Mexoro as a forbearance fee.

Mexoro has failed to comply with the terms and conditions of the forbearance agreement. In connection with a further extension of Mexoro x obligations, Mexoro issued to Paramount an additional 75,000 (legended) shares of its common stock.

Temoris Project:

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

Paramount also 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 and also holds a royalty of the Iris Project. In consideration for the acquisition of all of the issued and outstanding shares of common stock of Magnetic and the assumption and discharge of shareholder loans, Paramount issued to the shareholders of Magnetic 1,350,000 shares of Paramount common stock valued at \$675,000 and an advisor was paid a finder's fee of 200,000 common shares valued at \$100,000. All shares were issued pursuant to the Company's Shelf Registration Statement.

The Temoris Project comprises 54,000 hectares of mining concessions adjacent to its San Miguel project and surrounding Coeur d'Alene (NYSE:CDE) Palmarejo Project. Paramount Gold and Silver Corp. is now the sole owner of the Temoris Project and together with its San Miguel and Andrea Project, it controls 140,000 hectares of mining concessions in the Guazapares Mining District. Paramount is now preparing an exploration program for its new Temoris Project.

Vidette Lake Gold Mine:

In December 2008, we entered into an option with Daelim Investments Ltd. to acquire an interest in the Vidette Lake Gold Mine located in British Columbia, Canada. We issued 500,000 shares of our common stock to earn an initial 25% interest. We can earn an additional 25% interest by expending \$300,000 of exploration expenditures and issuing an additional 100,000 shares of our common stock and making a cash payment of \$100,000 (or equivalent amount in Paramount common stock). Once Paramount secures a 50% interest, Paramount may increase its percentage ownership to 90% at any time prior to December 31, 2010 by expending an additional \$600,000 on exploration and issuing 400,000 shares of common stock.

Market for Gold and Silver:

The demand for gold and silver has created a bull market for both metals over the past several years. There will likely be increased volatility of market prices in the short run due to seasonality or speculation. Despite concerns for a slowing U.S. and global economy, there remains a strong demand for precious metals. There also remains increased interest in holding precious metals such as gold and silver as a store of value during periods of increasing anxiety of either errant monetary policies or strained international relations.

Gold prices have generally trended upward during the last seven years, from a low of just under \$260 per ounce in early 2001 to a high of \$1,010 per ounce in March 2008 and has currently settled in the \$900/oz range. Silver prices have experienced similar price increases from a low of approximately \$4.25 per ounce to a high of \$21.00 per ounce in March. Assuming that this trend continues and management's drilling program expands, we believe that we will be able to identify a mining partner in the next fiscal year.

Recent Financings:

On March 20, 2009 we sold a total of 12 million units of our securities to FCMI Financial Corp. (FCMI) at a price of C\$0.75 per Unit (the Unit) for a total of C\$9,000,000 (the Financing) (Based on an exchange rate of C\$1 = \$0.80 USD the financing generate gross proceeds of \$7.2 million USD). Each Unit consisting of one share of common stock (the Shares) and one common stock purchase warrant (the Warrants). Each Warrant entitles the holder thereof to purchase one Share of common stock at an exercise price of C\$1.05 per share for a period of four years from the date of issuance. The Warrants will not be exercisable until six months from their date of issuance.

Also in connection with the financing, we entered into a registration rights agreement with FCMI which provides in part that commencing at any time following six months from the date of Closing, FCMI may request that the Company register the Shares and the Warrants so long as the anticipated aggregate gross proceeds in any such registration is anticipated to exceed CDN\$5,000,000 (US\$4 million).

In December 2008, we issued 3,636,362 of Flow-Through Units at a price of \$0.45 (CDN \$0.55) per unit, for a total consideration of \$1,636,362 (CDN \$ 2,000,000). Each unit consists of 1 Flow Through common share and one

common share purchase warrant. Each warrant entitles the holder thereof to acquire one non-flow through common share at a price of CDN \$1.00 per common share to December 31, 2009. Subsequently to December 31, 2009, each warrant entitles the holder thereof to acquire one non-flow through common share at a price of CDN \$1.25 per common share to December 31, 2010. First Canadian Securities received commission of 5% of the proceeds and warrants for acting as agent in the financing.

Comparison of Operating Results for the Three and Nine Months ended March 31, 2009 to the Three and Nine Months Ended December 31, 2008

Revenues

We are an exploratory mining company with no revenues from operations. All of our revenues to date represent interest income which we have earned as a result of our cash holdings generated from the sale of our securities. Monies are deposited in interest bearing accounts until such time as needed for drilling and general working capital purposes. Interest income for the three and nine months ended March 31, 2009 was \$45,207 and \$195,415 as compared to \$81,146 and \$417,704 for the three and nine months ended March 31, 2008. Total interest earned since inception (March 29, 2005) is \$928,441. Interest income has declined due to smaller cash holdings and declining interest rates payable on our money market accounts. However, with the receipt of additional funding, we expect interest income to increase in the short term or until our cash reserves are further depleted. We may also receive additional funds from the exercise of outstanding options or warrants which will result in additional interest income.

Operating Expenses:

For the Three and Nine Month periods ended March 31, 2009 and 2008 and from Inception.

For the three and nine months ended March 31, 2009 our total operating expenses were \$2,283,341 and \$6,895,409 as compared to \$4,716,897 and \$15,015,559 for the three and nine months ended March 31, 2008. Total expenses since inception through March 31, 2009 were \$43,410,578. Total operating expenses for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 declined approximately \$2.4 million (52%) while total operating expenses for the nine months ended March 31, 2009 declined approximately \$8.1 million (55%). The significant decline in our operating costs is primarily attributable to a reduction in our exploratory activities. This was due in part due to our attempt to preserve cash subject to securing additional financing. Since we have secured additional financing, we expect our exploratory costs to increase as we expend additional funds with respect to our drilling operations in Mexico and in British Columbia, Canada.

Exploration costs for the three and nine months ended March 31, 2009 totaled \$251,185 and \$2,041,450 as compared to \$1,657,369 and \$5,386,539 for the comparable periods in 2008. Similarly, geologist fees totaled \$29,047 and \$508,916 in 2009 as compared to \$432,349 and \$638,792. Since our inception we have incurred geological expenses totaling \$2,371,971.

In order to preserve cash for drilling expenses, we have relied on stock based compensation. Stock based compensation has proven to be an attractive means to compensate some of our key employees, directors and consultants. Management believes that by utilizing the Company's common stock as incentive for quality work, the return on its investment will in the long run, be more beneficial to the Company than simply cash compensation. In addition, we have used our common stock to finance the acquisition of several of our mineral properties. Stock based compensation for the three and nine months ended March 31, 2009 totaled \$1,264,291 and \$1,811,444 as compared to a total of \$1,574,500 and \$5,820,767 for the three and nine months ended March 31, 2008. Total stock based compensation since inception is \$16,009,340.

Corporate communications fees, declined from \$135,202 and \$454,035 for the three and nine months ended March 31, 2008 to \$70,368 and \$209,066 for the three and nine months ended March 31, 2009. Total corporate communication fees since inception was \$1,095,600.

We currently trade on the American Stock Exchange, Toronto Stock Exchange as well the Deutsche Borse Exchange. Management believes that the listing of the Company's common stock on several different stock exchanges gives investors greater access to our equities. For example, our listing on the Deutsche Borse provides current and prospective European investors access to purchase the Company's common stock on a regulated market in Euros. As a result we believe that market awareness and investor relations will remain a critical, but declining component of our business strategy. For the three and nine months ended March 31, 2009, our marketing expenses totaled \$98,813 and \$418,240 as compared to \$275,861 and \$775,159. Total marketing expenses since inception totaled \$1,513,414.

We experienced a slight decline in our professional fees. Professional fees for the three and nine months ended March 31, 2009 totaled \$262,469 and \$671,043 as compared to \$288,922 and \$814,729 in 2008. Since inception, we have incurred \$2,914,787 in professional fees. Our professional fees were primarily incurred with respect to compliance matters related to our filings with the Securities and Exchange Commission, the Toronto Stock Exchange, compliance matters with respect to the trading of our common stock as well as legal fees incurred with respect to various financings and acquisitions.

Net Income (loss)

Our Net Loss for the three and nine months ended March 31, 2009 was \$(2,238,133) and \$(6,699,994) as compared to a net loss of \$(4,635,751) and \$(14,597,856) in 2008. We have incurred total losses since inception of \$(42,656,079). Due to foreign currency translation adjustments, our total comprehensive loss for the three and nine months ended March 31, 2009 was \$(2,266,781) and \$(6,953,534) as compared to \$(4,663,299) and \$(14,606,849). Total comprehensive loss since inception was \$(42,929,596). Our Net Loss per Share in 2009 was \$(0.07) and \$(0.11) as compared to a Net Loss per Share of \$(0.096) and \$(0.308) during the comparable periods in 2008. Until such time as we are able to identify mineral deposits which we believe can be extracted in a commercially reasonable manner, of which there can be no assurance, we will continue to incur ongoing losses.

Liquidity and Capital Resources

Assets and Liabilities

March 31, 2009 as compared to June 30, 2008

As of March 31, 2009, we had cash totaling \$7,929,751 as compared to \$3,199,848 as of June 30, 2008. The increase of approximately \$4.7 million is directly attributable to our financing with FCMI Financial Corp. Amounts receivable totaled \$237,064 as compared to \$1,384,492. We used a portion of the FCMI financing to satisfy most of our outstanding payables. Prepaid expenses and deposits were \$45,552 as compared to \$379,348. The significant decline in prepaid expenses is primarily attributable to stock based compensation which has been earned since the date of issuance of the common stock. Total current assets were \$8,603,730 as compared to \$5,833,688 an increase of approximately 47%.

Our long term assets at March 31, 2009 totaled \$19,830,483 as compared to \$6,098,640 at June 30, 2008. Long term assets consist primarily of our mineral properties located within the Sierra Madre gold district in Mexico and the Vidette Lake property in British Columbia. At March 31, 2009 we had \$18,258,952 attributable to our mineral properties as compared to \$4,738,747 at June 30, 2008. The primary reason for this increase of approximately \$13.5 million is attributable to our Temoris concession at \$4,254,754 and \$11,409,282 attributable to the San Miguel groupings. The Company has capitalized the acquisition costs of these properties. We also have fixed assets consisting of property and equipment totaling \$542,236 as compared to \$354,996 as of June 30, 2008.

Total assets at March 31, 2009 were \$28,434,214 as compared to \$11,932,328 as of June 30, 2008. This represents an increase of approximately 138% which is primarily attributable to an increase in our cash holdings of approximately 147% and an increase of 285% attributable to our mineral properties. We will continue to utilize our cash to finance our expanding drilling operations and for general corporate expenses.

Our current liabilities as of March 31, 2009 totaled \$576,020 as compared to \$1,714,620. With the cash infusion from our financing, we were able to significantly reduce our accounts payable.

We have a working capital surplus at March 31, 2009 (current assets less current liabilities) of \$8,007,710 as compared to a working capital surplus of \$4,119,068 as of June 30, 2008, representing an increase of approximately 94%. We anticipate that we will be able to meet our currently existing ongoing contractual commitments for any property or mineral rights and have sufficient financial resources to fund our ongoing exploration and geological endeavors.

Off-Balance Sheet Arrangements

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

CRITICAL ACCOUNTING POLICIES

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

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

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

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

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

The Company's functional currency is the United States dollar. The consolidated financial statements of the Company are translated to United States dollars in accordance with SFAS No. 52 *Foreign Currency Translation* (SFAS No. 52). Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at

the consolidated balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Mexican pesos and Peruvian sols. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The functional currencies of the Company's wholly-owned subsidiaries are the Mexican peso and Peruvian sol. The financial statements of the subsidiaries are translated to United States dollars in accordance with SFAS No. 52 using period-end rates of exchange for assets and liabilities, and average rates of exchange for the year for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Foreign currency transaction gains and losses are included in current operations

Item 3.

Quantitative and Qualitative Disclosures About Market Risk.

N/A

Item 4.

Controls and Procedures.

As of the end of the period covered by this Report, the Company's President, and principal financial officer (the Certifying Officers), evaluated the effectiveness of the Company's "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, these officers concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934 is accumulated and communicated to management, including those officers, to allow timely decisions regarding required disclosure.

The Certifying Officers have also indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including the Certifying Officers, do not expect that our disclosure controls or our internal controls will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 4(t).

Controls and Procedures

The information required pursuant to item 4(t) has been provided in Item 4.

PART II. OTHER INFORMATION

Item 1.

Legal Proceedings.

None.

Item 1(a)

Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the period ended June 30, 2008.

Item 2.

Unregistered Sales of Equity Securities,

During the three month period covered by this report, we issued the following unregistered securities:

On March 19, 2009 in connection with the acquisition of mineral properties we issued to Garibaldi Resources Corp. six million shares of our common stock.

Also on March 19, 2009 we issued to FCMI Financial Corporation a total of twelve million units of our securities. Each unit consisting of one share of our common stock and one common stock purchase warrant. shares of our common stock in connection with a private placement of our securities pursuant to Regulation S of the Securities Act of 1933.

At all times relevant:

-

the sale was made to a sophisticated or accredited investor;

-

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

-

at a reasonable time prior to the sale of securities, we advised the purchaser of the limitations on resale of the securities; and

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

Also during our last fiscal quarter, we issued a total of 1,967,063 shares of our registered common stock. The shares were issued pursuant to either our stock incentive and equity compensation plan or our Form S-3 Registration Statement

Item 3.

Defaults upon senior securities.

None

Item 4.

Submission of matters to a vote of security holders.

The Company held its annual shareholder meeting on February 24, 2009. The shareholders voted on the following matters:

1. Elect the following directors, each to serve such term as set forth herein or until his successor has been duly elected and qualified:

Christopher Crupi

William Reed

Daniel Hachey

John Carden

Ian Talbot

Robert Dinning

Michel Yvan Stinglhamber

2. Ratify the appointment of HLB Cinnamon Jang Willoughby & Company as our independent certified public accountants;
3. Amend our certificate of incorporation to increase the number of authorized shares of common stock from one hundred million to two hundred million shares \$0.001 par value;
4. Ratification of our 2008/09 Stock Incentive and Equity Compensation Plan; and
5. Ratify a proposal approved by our Board of Directors to amend all outstanding stock options to reduce the exercise price of all outstanding stock options so that the strike price of the outstanding options will be the greater of \$.50 per share or the current fair market value of the Company's common stock, whichever is greater, at the effective date of the grant of the new options.

All directors were confirmed to serve another term on our Board of Directors and all other proposals were approved by our shareholders.

Item 5.

Other information

None

Item 6.

Exhibits

Exhibit No.	Description
3.1	Articles of Incorporation filed for a name change on August 24, 2007 filed as an exhibit to our Form 8-k filed November 2, 2005
3.2	Certificate of Amendment to Articles of Incorporation filed as exhibit to our Form 8-k filed August 28, 2007
3.3	Bylaws. Filed as an exhibit to our Form 8-k filed August 28, 2007
3.4	Certificate of Amendment to Articles of Incorporation filed as on Exhibit to our Form 8-k filed February 26, 2009
4.1	2006/07 Stock Incentive and Equity Compensation Plan filed as an exhibit to our Form S-8 Registration Statement filed November 11, 2006
4.2	2007/08 Stock Incentive and Equity Compensation Plan filed as an exhibit to our proxy statement filed on June 29, 2007
4.3	Registration Rights Agreement filed as an exhibit to Form 8-k filed April 6, 2007
4.4	Warrant Agreement filed as an exhibit to Form 8-k filed April 6, 2007
4.5	Broker Warrant Agreement filed as an exhibit to Form 8-k filed April 6, 2007
4.6	

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Form of Warrant Agreement issued to Anima S.G.R.p.a. and affiliates filed on Form S-3 filed January 24, 2008

- 10.1 Option Agreement on San Miguel Properties. Filed as an exhibit to Form 10-Sb on November 2, 2005
- 10.2 Agency Agreement with Blackmont Securities filed as an exhibit to Form 8-k on April 6, 2007
- 10.3 Acquisition Agreement with Tara Gold Resources, Inc. filed as an exhibit to Form 8-k on September 2, 2008.
- 10.4 Forebearance Agreement with Mexoro Minerals filed on Form 8-k March 23, 2009
- 10.5 Letter Agreement for Purchase and Sale of Magnetic Resources filed on Form 8-k March 23, 2009
- 10.6 Assignment of Option on Temoris filed on Form 8-k March 23, 2009
- 31.1 Section 302 Certification of the Chief Executive Officer*
- 31.2 Section 302 Certification of the Principal Financial Officer *
- 32.1 Section 906 Certification of the Principal Executive Officer *
- 32.2 Section 906 Certification of the Principal Financial Officer *

* Filed Herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARAMOUNT GOLD AND SILVER CORP.

Date: May 14, 2009

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

Date: May 14, 2009

By: /s/ Lucie Letellier
Lucie Letellier
Chief Financial Officer