

PARAMOUNT GOLD & SILVER CORP.
Form 10-Q
November 14, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from _____ to _____

Paramount Gold and Silver Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-51600
(Commission
File Number)

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

346 Waverley Street

Ottawa, Ontario, Canada K2P 0W5

(Address of Principal Executive Office) (Zip Code)

(613) 226-9881

(Issuer's telephone number, including area code)

N/A

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days.

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

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

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date: 57,513,632 shares of Common Stock, \$.001 par value as of October 14, 2008.

PARAMOUNT GOLD AND SILVER CORP.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 contains forward-looking statements. Generally, the words believes, anticipates, may, will, should, expect, intend, estimate, and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements which include, but are not limited to, statements concerning the Company's expectations regarding its working capital requirements, financing requirements, business prospects, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such statements are subject to certain risks and uncertainties, including the matters set forth in this Quarterly Report or other reports or documents the Company files with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected.

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

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

OTHER PERTINENT INFORMATION

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

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

(An Exploration Stage Mining Company)

Consolidated Balance Sheets (Unaudited)

(Expressed in United States dollars, unless otherwise stated)

	As at September 30, 2008 (Unaudited)	As at June 30, 2008 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,211,497	\$ 3,199,848
Amounts receivable	1,380,322	1,384,492
Notes receivable (Note 9)	1,402,981	870,000
Prepaid and deposits	187,551	379,348
	4,182,351	5,833,688
Long Term Assets		
Mineral properties (Note 7)	13,679,197	4,738,747
Fixed assets (Note 8)	592,960	354,996
GIC	1,041,675	1,004,897
	15,313,832	6,098,640
	\$ 19,496,183	\$ 11,932,328

Liabilities and Shareholder s Equity

Liabilities

Current Liabilities

Accounts payable	\$	1,605,956	\$	1,714,620
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Shareholder s Equity

Capital stock (Note 5)		57,513		48,541
Additional paid in capital		43,190,072		32,604,284
Contributed surplus		13,712,377		13,540,945
Deficit accumulated during the exploration stage		(39,017,464)		(35,956,085)
Cumulative other comprehensive income (loss)		(52,271)		(19,977)
		17,890,227		10,217,708
	\$	19,496,183	\$	11,932,328

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)**For the Period Ended September 30, 2008 and September 30, 2007**

(Expressed in United States dollars, unless otherwise stated)

	Period Ended September 30, 2008	Period Ended September 30, 2007	Cumulative Since Inception March 29, 2005 to September 30, 2008
Revenue			
Interest Income	\$ 97,277	\$ 185,062	\$ 830,304
Expenses:			
Incorporation Costs			1,773
Exploration	1,449,884	2,048,446	13,917,961
Professional Fees	234,976	266,883	2,478,721
Travel & Lodging	72,953	79,137	700,639
Geologist Fees & Expenses	339,595	80,194	2,202,650
Corporate Communications	68,230	207,066	954,828
Consulting Fees	42,005	48,508	524,239
Marketing	187,056	228,458	1,282,230
Office & Administration	293,474	76,889	1,072,984
Interest & Service Charges	2,539	2,355	22,750
Loss on Disposal of Assets	44,669		44,669
Insurance	28,193	11,502	179,556
Amortization	27,348	20,314	158,250
Rent	22,915	19,761	209,385
Financing			93,384
Miscellaneous	(1,748)	(17,371)	(11,766)
Stock Based Compensation	346,566	3,590,907	14,544,462

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Write Down of Mineral Property			1,471,049
Total Expense	3,158,655	6,663,049	39,847,768
Net Loss	3,061,378	6,477,987	39,017,464
Other comprehensive loss			
Foreign Currency Translation Adjustment	32,294	(14,912)	52,271
Total Comprehensive Loss for the Period	\$ 3,093,672	\$ 6,463,075	\$ 39,069,735
Basic & Diluted Loss per Common Share	0.06	0.14	
Weighted Average Number of Common Shares Used in Per Share Calculations	52,627,417	46,156,154	

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)**For the Period September 30, and September 30, 2007**

(Expressed in United States dollars, unless otherwise stated)

	For the	For the	Cumulative
	Period Ended	Period Ended	Since Inception
	September 30,	September 30,	to
	2008	2007	September 30,
			2008
Operating Activities:			
Net Loss	\$ (3,061,378)	(6,477,987)	\$ (39,017,464)
Adjustment for:			
Amortization	27,348	20,314	158,250
Stock based compensation	346,566	3,590,907	14,926,730
Write-down of mineral properties			1,471,049
Accrued interest receivable	(32,982)		(32,982)
Loss on disposal of assets	44,669		44,669
(Increase) Decrease in accounts receivable	4,170	(247,335)	(1,355,493)
(Increase) Decrease in prepaid expenses	114,338	(501,691)	(83,588)
Increase (Decrease) in accounts payable	108,664	611,817	1,208,404
Cash used in Operating Activities	(2,665,933)	(3,003,975)	(22,680,425)
Investing Activities:			
Purchase of Mineral Properties	(12,000)	50,000	(2,886,803)
(Increase) Decrease in GIC receivable	36,778		(968,119)
(Increase) Decrease in Note receivable	(500,000)		(1,370,000)

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Purchase of Equipment	(340,173)	(85,873)	(826,091)
Cash used in Investing Activities	(815,395)	(35,873)	(6,051,013)
Financing Activities:			
Increase (decrease) in demand notes payable			105,580
Issuance of capital stock	1,486,950		29,883,854
Cash from Financing Activities:	1,486,950		29,989,434
Effect of exchange rate changes on cash	6,027	(6,500)	(46,499)
Increase (Decrease) in Cash	(1,988,351)	(3,046,348)	1,211,497
Cash, beginning	3,199,848	16,231,388	
Cash, ending	\$ 1,211,497	13,185,040	\$ 1,211,497
Supplemental Cash Flow Disclosure:			
Interest Received	\$	185,062	\$ 7,642
Taxes Paid			
Cash		135,498	135,498
Short term investments		13,049,542	13,049,542
Non Cash Transactions (Note 4)			

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 September 30, 2008**

(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
Capital issued for financing	34,000,000	34,000					34,000
Forward split	45,267,726	45,267	(45,267)				
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 on 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

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 September 30, 2008**

(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

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

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 September 30, 2008

(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. and Compania Minera Paramount SAC. 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 September 30, 2008, Period End Report on Form 10-K.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the Company's consolidated financial position at September 30, 2008 and the consolidated results of operations and consolidated statements of cash flows for the period ended September 30, 2008.

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 (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(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 (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(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 (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(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.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(Expressed in United States dollars, unless otherwise stated)

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.

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.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)**(Unaudited)****For the Period Ended September 30, 2008**

(Expressed in United States dollars, unless otherwise stated)

3.**Recently Adopted Accounting Policies: (Continued)**

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by 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 September 30, 2008			
	Total	Level 1	Level 2	Level 3
Assets	\$	\$	\$	\$
Cash equivalents				
Notes receivable	1,402,981		1,402,981	
GIC	1,041,675	1041,6759		

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

The Company's GIC receivable and notes receivable are valued using quoted market prices in active markets and as such are classified within Level 2 of the fair value hierarchy.

4.**Non-Cash Transactions:**

During the periods ended September 30, 2008 and 2007, the Company entered into certain non-cash activities as follows:

2008**2007**

Operating and Financing Activities

From issuance of shares for mineral properties	\$	8,828,450	\$	1,160,000
From issuance of shares services	\$	210,988	\$	7,434,450

During the period ended September 30, 2008, the Company issued 251,206 common shares (2007 125,000 common shares) in exchanges of services rendered at trading values ranging between \$1.27 and \$ 0.64 per share for total consideration of \$ 210,988 (2007 328,750), \$210,988 (2007 - \$4,505) has been expensed as stock-based compensation.

During the period ended September 30, 2008, the Company issued 7,350,000 common shares (2007- 18,519) to purchase a mineral property and 300,000 for services rendered in obtaining a mineral property for a total of 7,650,000 shares related to the purchase of a mineral property valued at \$8,928,450. This amount has been capitalised as mineral property acquisition costs (2007- \$50,000).

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(Expressed in United States dollars, unless otherwise stated)

5.

Capital Stock:

Authorized capital stock consists of 100,000,000 common shares with par value of \$0.001 each. Capital stock transactions of the Company during the period ended September 30, 2008 are:

On August 7, 2008 the company completed a private placement financing of 1,000,000 units priced at \$1.40 per unit (all funds in CDN dollars) for proceeds of \$1,400,000. Each unit consists of one common share and one half common share purchase warrant with a strike price of \$2.10 and an expiry of one year.

On August 7, 2008 the company completed a private placement financing of 71,429 units priced at \$1.40 per unit (all funds CDN dollars) for proceeds of \$100,000. Each unit consists of one common share and one half common share purchase warrant with a strike price of \$2.50 and an expiry of two years.

During the period ended September 30, 2008, the Company issued 251,206 common shares (2007 - 125,000 common shares) in exchanges of services rendered at trading values ranging between \$1.27 and \$ 0.64 per share for total consideration of \$210,988 (2007 - 328,750), \$210,988 (2007 - \$4,505) has been expensed as stock-based compensation.

During the period ended September 30, 2008, the Company issued 7,350,000 common shares (2007- 18,519) to purchase a mineral property and 300,000 for services rendered in obtaining a mineral property for a total of 7,650,000 shares related to the purchase of a mineral property, for a total consideration of \$8,928,450 that was capitalised in mineral property (2007- \$50,000).

The following share purchase warrants and agent compensation warrants were outstanding at September 30, 2008:

	Exercise Price	Number of warrants	Remaining contractual life (periods)
Warrants	2.50	1,171,500	0.33
Agent compensation warrants	2.10	623,909	0.50

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Warrants	2.90	5,199,248	0.50
Warrants	3.25	1,000,000	0.98
Warrants	2.10	500,000	0.81
Warrants	2.50	35,715	1.81
Outstanding and exercisable at September 30, 2008		8,530,372	

During the period ended September 30, 2007 the Company issued 1,000,000 warrants pursuant to private placement agreements at an exercise price of \$3.25.

During the period ended September 30, 2008, the Company issued 500,000 warrants pursuant to a private placement agreement at an exercise price of \$2.10.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(Expressed in United States dollars, unless otherwise stated)

5.

Capital Stock: (Continued)

During the period ended September 30, 2008 the Company issued 35,715 warrants pursuant to a private placement agreement at an exercise price of \$2.50.

	September 30, 2008	September 30, 2007
Risk free interest rate	0.98 1.78%	4.68%
Expected dividend yield	0%	0%
Expected stock price volatility	58%	75%
Expected life of warrants	0.5 - 1 year	2 years

6.

Related Party Transactions:

During the period ended September 30, 2008, directors received payments on account of professional fees and reimbursement of expenses in the amount of \$96,049 (2007: \$83,158).

During the period ended September 30, 2008, the Company issued 21,432 common shares to a director (2007- 0 common shares) for services rendered at trading value of \$ 0.64 to \$1.27 per share for total consideration of \$23,160.

During the period ended September 30, 2008 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).

7.

Mineral Properties:

The Company has seven mineral properties located within Sierra Madre gold district, Mexico. The Company has capitalized acquisition costs on these mineral properties as follows:

	2008		2007
Garibaldi	100,000		
San Miguel Groupings	\$ 11,409,282	\$	2,418,832
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		
	\$ 13,679,197	\$	3,001,247

a.

San Miguel Groupings

The company has purchased all of the rights to the and interest to 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

During the period ended September 30, 2008, the company renegotiated its agreement on the La Blanca mining concessions. It 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 of gold or its equivalent. The Company must incur \$500,000 in exploration expenses during the period ended December 31, 2008.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(Expressed in United States dollars, unless otherwise stated)

7.

Mineral Properties: (Continued)

c.

Santa Cruz

The Company has a 70% interest in the Santa Cruz mining concession located adjacent to the San Miguel Groupings. 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.

d.

Andrea

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

e.

Elyca

The company acquired the Elyca mining concession located in the municipality of Gauzapares, State of Chihuahua for a total price of \$ 1,000,000. This amount was paid during the period ended September 30, 2008. 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 considerations of \$ 440,000.

f.

Garibaldi, Temoris land package

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.

8.

Fixed Assets:

	Cost	Accumulated Amortization	Net Book Value	
			2008	2007
Property and Equipment	\$ 701,827	\$ 108,867	\$ 592,960	\$ 337,067

During the period ended September 30, 2008, total additions to property, plant and equipment were \$340,173 (2007-\$36,103).

PARAMOUNT GOLD AND SILVER CORP.

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Notes to Consolidated financial statements (Continued)**(Unaudited)****For the Period Ended September 30, 2008**

(Expressed in United States dollars, unless otherwise stated)

9.**Notes Receivable:**

The Company has entered into convertible notes receivable with face value of \$1,370,000 with 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% p.a., the parties have agreed that Mexoro may defer all interest payments on the secured convertible notes until September 10, 2008.

		Maturity Date	Interest Rate	September 30, 2008	June 30, 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	500,000
		July 10, 2009	8% per annum	500,000	
Accrued Interest				32,981	
				\$ 1,402,981	\$ 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.

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.

(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.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(Expressed in United States dollars, unless otherwise stated)

10.

Recent Accounting Pronouncements: (Continued)

(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.

(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.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)**(Unaudited)****For the Period Ended September 30, 2008**

(Expressed in United States dollars, unless otherwise stated)

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 September 30, 2008:

	United States	Peru	Mexico	Total
Interest income	\$ 62,969	\$ 25,785	\$ 8,523	\$ 97,277
Expenses:				
Exploration	562,568	49,269	838,047	1,449,884
Professional fees	234,976			234,976
Travel and lodging	72,953			72,953
Geologist fees and expenses	134,319		205,276	339,595
Corporate communications	68,230			68,230
Consulting fees	42,005			42,005
Marketing	187,056			187,056
Office and administration	70,692	61,949	160,833	293,474
Interest and service charges	1,726	65	748	2,539
Loss on Disposal of Assets		44,669		44,669
Insurance	19,040		9,152	28,193
Amortization	14,082	5,258	8,009	27,348
Rent	22,915			22,915
Financing				
Miscellaneous	(1,748)			(1,748)
Stock based compensation	346,566			346,566
Total Expenses	1,775,391	161,210	1,222,065	3,158,655

Net loss	\$	1,712,412	\$	135,425	\$	1,213,542	\$	3,061,378
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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)**(Unaudited)****For the Period Ended September 30, 2008**

(Expressed in United States dollars, unless otherwise stated)

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

Loss for the period by geographical segment for the period ended September 30, 2007:

	United States		Peru		Mexico		Total
Interest income	\$ 184,919	\$		\$	143	\$	185,062
Expenses:							
Exploration	(423,314)		144,798		2,326,962		2,048,446
Professional fees	266,467				416		266,883
Travel and lodging	79,137						79,137
Geologist fees and expenses	80,194						80,194
Corporate communications	207,066						207,066
Consulting fees	48,508						48,508
Marketing	228,458						228,458
Office and administration	76,150				739		76,889
Interest and service charges	1,704				651		2,355
Insurance	8,477				3,025		11,502
Amortization					20,314		20,314
Rent	19,761						19,761
Miscellaneous	(17,371)						(17,371)
Stock Based Compensation	3,590,907						3,590,907
Total expenses	4,166,144		144,798		2,352,107		6,663,049
Net loss	\$ 3,981,225	\$	144,798	\$	2,351,964	\$	6,477,987

Assets by geographical segment:

	United States	Peru	Mexico	Total
September 30, 2008				
Mineral properties	9,531,075	10,000	4,138,122	13,679,197
Equipment	157,329		435,631	592,960
September 30, 2007				
Mineral properties	50,625	10,000	2,990,622	3,051,247
Equipment	140,157	101,007	95,903	337,067

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(Expressed in United States dollars, unless otherwise stated)

12.

Employee Stock Option Plan:

On August 23, 2007, the board and shareholders approved the 2007/08 Stock Incentive & Compensation Plan thereby reserving 4,000,000 common shares for issuance to employees, directors and consultants.

During the period ended September 30, 2008, the board did not grant stock options, it cancelled the following stock options:

.

340,000 stock options from the 2006/2007 grant were cancelled;

.

110,000 stock options from the 2007/2008 grant were cancelled.

Changes in the Company's stock options for the period ended September 30, 2008 are summarized below:

	Number	Weighted Avg Exercise Price
Balance, beginning of year	4,734,500	\$2.43
Cancelled	305,000	2.30
Balance, end of period	4,429,500	\$2.41

At September 30, 2008, there were 4,429,500 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:

	2008
Risk free interest rate	4.50%
Expected dividend yield	0%
Expected stock price volatility	62%
Expected life of options	2 to 5 periods

During the period ended September 30, 2008 the Company recognized stock based compensation expense in the amount of \$139,804 for the vested portion of options issued in the previous year.

13.

Commitments:

a.

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 periods commencing August 1, 2006 for the following consideration; 2009 - \$87,885.

PARAMOUNT GOLD AND SILVER CORP.

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Notes to Consolidated financial statements (Continued)**(Unaudited)****For the Period Ended September 30, 2008**

(Expressed in United States dollars, unless otherwise stated)

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 September 30, 2008 and 2007 and to shareholders' equity at September 30, 2008 and 2007 in order to conform to accounting principles generally accepted in Canada (Canadian GAAP).

Statement of Loss	Period ended September 30, 2008	Period ended September 30, 2007
Net loss based on US GAAP	\$ (3,267,693)	\$ (6,477,987)
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 14a)	1,722,371	1,984,742
Net loss for the period based on Canadian GAAP	(1,545,322)	(4,493,245)
	September 30, 2008	September 30, 2007
Stockholders' Equity		
Stockholders' Equity based on US GAAP	\$ 17,683,912	\$ 17,741,289
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 14a)	12,646,335	4,904,417
Stockholders' Equity based on Canadian GAAP	5,037,577	12,836,872

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

Mineral Properties	September 30, 2008	September 30, 2007
US GAAP	\$ 13,679,197	\$ 3,051,247
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 14a)	12,646,335	4,904,417
Canadian GAAP (a)	26,325,532	7,958,664

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.

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Notes to Consolidated financial statements (Continued)

(Unaudited)

For the Period Ended September 30, 2008

(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:

	September 30, 2008	September 30, 2007
Cash used in operating activities	\$ (943,562)	\$ (1,019,233)
Cash used in investing activities	(2,537,766)	(2,020,615)

(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

Our Operations:

We are an exploratory mining company with current operations in Mexico.

Property Description and Location

San Miguel Groupings.

Our primary focus is the 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. It can be accessed by vehicle and railway and has well-developed infrastructure with a recently constructed 33,000 volt power line. 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.

We are also evaluating and preparing for drill testing geochemical targets at the 100% owned, 86,000 Hectare Andrea project also located in Chihuahua, Mexico.

Our primary objective is to:

Explore and develop the San Miguel and Andrea projects located in Chihuahua, Mexico within the Sierra Madre Occidental gold/silver belt. We will also work with Mexoro Minerals Ltd. by way of a strategic exploration alliance to develop their properties as well as the recently acquired Elyca mining concession which lies between the San Miguel and Empalme concessions.

There is no assurance that commercially viable mineral deposits exist on the San Miguel Groupings. Further exploration will be required before a final evaluation as to the economic and legal feasibility is determined.

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.

Location

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

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

MAP 1 SAN MIGUEL PROJECT LOCATION

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

Market for Gold and Silver:

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

Gold prices have generally trended upward during the last eight years, from a low of just under \$260 per ounce in early 2001 to a high of \$1,010 per ounce in March 2008. Silver prices have experienced similar price increases from a

low of approximately \$4.25 per ounce to a high of \$21.00 in March 2008. Even though the price of both gold and silver have declined since reaching their highs in March 2008, management remains encouraged with its drilling program and will continue to drill additional exploratory holes. If commercially recoverable deposits are identified, management intends to enter into an agreement with a mining partner who has experience in mining operations.

Financings:

Our operations to date have been funded by equity investment. Most of our equity funding has come from a private placement of our securities which we closed on March 30, 2007 in the amount of \$21,836,841. The financing consisted of the sale of 10,398,496 units (the Units) at a price of \$2.10 per Unit (the Issue Price). Each unit was comprised of one share of Common Stock and one-half of one common stock purchase warrant of the Company. Each whole Warrant shall entitle the holder thereof to acquire one share of common stock in the capital of the Company (a Warrant Share) at an exercise price of \$2.90 for 24 months following the closing date of the offering.

On November 6, 2007, the Company completed a private placement financing in the amount of \$2.4 million. The Company sold 1,000,000 units of its securities in this financing, each unit consisting of one share of common stock and one common stock purchase warrant. Each common stock purchase warrant entitles the holder thereof to purchase one share of common stock at an exercise price of \$3.25 per share for a period of two years.

On August 4, 2008 we completed a private placement financing of 1,000,000 units priced at \$1.40 per unit (all funds in CDN dollars) for proceeds of \$1,400,000. Each unit consists of one common share and one half common share purchase warrant with a strike price of \$2.10 per share.

Also on August 4, 2008 we completed a private placement financing of 71,429 units priced at \$1.40 per unit (all funds CDN dollars) for proceeds of \$100,000. Each unit consists of one common share and one half common share purchase warrant with a strike price of \$2.50.

The Company will require additional working capital to continue its exploratory activities.

Letter of Intent with Mexoro Minerals Ltd.

In order to increase drilling opportunities in the San Miguel region, we have signed a Letter of Intent to create a strategic alliance with Mexoro Minerals Ltd . (Mexoro), a Colorado corporation and its wholly owned Mexican subsidiary. Mexoro s mining concessions are adjacent to our San Miguel grouping. The purpose of the strategic alliance will be to maximize shareholder value through:

A.

Collaboration of exploration and development work. Mexoro and Paramount expect to form a Joint Exploration and Development Management Committee, consisting of three representatives from each of Paramount and Mexoro . We expect the Committee will be responsible for reviewing and planning for exploration work and will meet on a regular basis and then report back to their respective boards;

B.

Consolidation of offices. In particular, the Mexoro head office will be relocated to Paramount s corporate headquarters in Ottawa, Canada and the Mexican offices of both parties will be consolidated post closing; and

C.

Approaching the market in a combined and unified manner. Enable both Paramount and Mexoro to maximize values with respect to the sale of either Paramount, Mexoro or the concessions/projects of the San Miguel and greater

Guazapares areas.

In furtherance of these objectives, Paramount has loaned Mexoro a total of \$1,370,000 pursuant to three secured convertible debentures. The first convertible debenture was in the amount of \$500,000. The second convertible debenture was in the amount of \$370,000 and the third convertible debenture was in the amount of \$500,000. All three convertible debentures are secured by the assets of Mexoro, including but not limited to 49,999 (out of 50,000 issued and outstanding shares of common stock) of SunBurst de Mexico S.A. de C.V., a subsidiary of Mexoro. The notes are due May 9, June 18 and July 11, 2009 respectively. The notes 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. Except with respect to the due dates and the principal amount of the notes, the material terms and conditions of all three secured convertible debentures and the security agreements are identical in form and substance. If all of the convertible debentures and options were converted by Paramount into shares of common stock of Mexoro, Paramount would own approximately 13.3% of the issued and outstanding shares of common stock of Mexoro.

In addition to the funds Paramount has advanced to Mexoro, as part of the Letter of Intent with Mexoro, Paramount has the right to purchase 12 million units of Mexoro at a cost of \$.50 per unit (\$6 million in total). Paramount may complete the private placement at one time or in tranches over time as determined by Paramount in its sole discretion. Paramount was required to subscribe to the first 8 million units (\$4 million) by September 5, 2008 and the remaining 4 million units (\$2 million) no later than November 1, 2008.

As of September 30, 2008, Paramount has not subscribed for the required units and Mexoro has not made the required interest payments due under the promissory notes. The parties are currently in negotiation with respect to this matter.

Garibaldi Joint Venture:

Paramount has entered into a joint venture agreement with Garibaldi Resources Inc. and acquired 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. The property borders Paramount's San Miguel property and brings a total of over 100,000 hectares of contiguous land holdings in the Guazapares mining district.

As part of the transaction, Garibaldi has provided Paramount with its geologic data, including the results of its recent regional hyperspectral airborne survey. Paramount is the exploration manager under the joint venture. As part of the joint venture with Garibaldi, 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 shares of its common stock, and spending a total of \$700,000 in exploration costs. Paramount has the opportunity to increase its interest to 70% by spending an additional \$1 million in exploration expenditures within 30 months, making an additional payment of \$500,000, and issuing an additional 400,000 restricted shares of Paramount common stock.

Upon earning a 70% joint venture interest, Paramount may increase its interest to 80% within 30 months of the signing of the Joint Venture Agreement, exclusively and limited to the approximately 6,657 hectares referred to in the October 6, 2006, agreement.

Tara Gold Resources Corp. Joint Venture:

On February 7, 2007, Paramount and Tara Gold Resources Corp. (Tara Gold) entered into a joint venture agreement related to the San Miguel property. On September 26, 2008, Paramount entered into an agreement with Tara Gold under which Paramount will acquire Tara Gold's remaining 30% equity ownership in the San Miguel property (the Agreement of Purchase and Sale).

In consideration for the acquisition of Tara Gold's interest, Paramount issued to Tara Gold a total of 7,350,000 shares of its legended common stock. Also, in connection with the closing of the transaction, all invoices previously submitted by Paramount for Tara Gold's contribution to the exploration and development of the San Miguel property have been cancelled. An additional 300,000 Paramount common shares (the Consultant Shares) were issued to a consultant who facilitated the closing of this transaction. In consideration for the transfer of the mining concessions, Paramount will pay to Tara Gold \$100,000 MXN.

The Agreement of Purchase and Sale together with all related agreements and documentation have been executed and delivered to the escrow agents. The required share certificates as well as payment of the \$100,000 MXN have also been delivered to the escrow agent.

The purchase and sale transaction has closed subject to the filing of concession registration with the Bureau of Mines by February 28, 2009, or such later date as Paramount may agree. If such filing does not occur, the Agreement of Purchase and Sale will be rescinded, all of the shares of common stock held in escrow will be returned to Paramount for cancellation together with the purchase price for the mining concessions. The Agreement of Purchase and Sale will then be of no further force or effect, and the respective interests and obligations of the parties shall continue in accordance with the terms of the Joint Venture Agreement.

Deposit Types

At the San Miguel project, mineralization consists of epithermal, low sulfidation, gold/silver vein and breccia deposits which occur in north-northwest trending, steeply dipping structures. This type of mineralization is typical of the Sierra Madre Occidental gold-silver metallogenic province. It is this type of mineralization that has been exploited in the region since early Spanish colonial times.

These are multi-phase deposits which produced several phases of cross-cutting breccias and related hydrothermal alteration. Alteration ranges from peripheral propylitization to argillic alteration to strong to intense silicification, often with adularia development. This mineralization is physically expressed as sheeted quartz veins, silicified hydrothermal breccias, and vuggy, quartz- filled expansion breccias. Amethystine quartz is locally present. At many such deposits, such as those nearby at Palmarejo, there are at least two stages of gold-silver mineralization. The first is characterized by pyrite, sphalerite, galena and argentite in structurally controlled quartz vein breccias. There is often a later fine-grained, higher-grade, gold-silver, base metal-deficient phase cross-cutting the first. While Paramount has not yet carried out any detailed paragenetic studies, exposures in the San Jose and San Luis workings seem to confirm that sequence.

The following table outlines our concessions within the Sam Miguel project:

Table 1**San Miguel Project Concessions****San Miguel Project Concession Data**

Group	Concession Name	Title #	Area (ha)	Owner
San Miguel	San Miguel	166401	12.9458	PGM (70%) / Amermin (30%) (1)
	San Juan	166402	3.00	PGM (70%) / Amermin (30%)
	San Luis	166422	4.00	PGM (70%) / Amermin (30%)
	Empalme	166423	6.00	PGM (70%) / Amermin (30%)
	Sangre de Cristo	166424	41.00	PGM (70%) / Amermin (30%)
	Santa Clara	166425	15.00	PGM (70%) / Amermin (30%)
	El Carmen	166426	59.0864	PGM (70%) / Amermin (30%)
	Las Tres BBB	166427	23.001	PGM (70%) / Amermin (30%)
	Swanwick	166428	70.1316	PGM (70%) / Amermin (30%)
	Las Tres SSS	166429	19.1908	PGM (70%) / Amermin (30%)
	El Rosario	166430	14.00	PGM (70%) / Amermin (30%)
	Guadalupe de los Reyes	172225	8.00	PGM (70%) / Amermin (30%)
La Blanca	Montecristo	213579	38.0560	Victor Manuel Gomez Fregoso
	Montecristo Fraccion	213580	0.2813	Victor Manuel Gomez Fregoso
	Montecristo II	226590	27.1426	Victor Manuel Gomez Fregoso
	Constituyentes 1917	199402	66.2403	Victor Garcia Jimenez

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Santa Cruz	186960	10.00	Luis Alberto Rascon Herrera
Elyca	179842	10.0924	Paramount Gold de Mexico S.A. de C.V.

(1)

PGM refers to Paramount Gold de Mexico S.A. de C.V. and Amermin refers to Corporacion Amermin S.A. de C.V.

Selected significant drill core intercepts in the San Antonio area presented below.

Drill hole	From Meters	To Meters	Width Meters	Gold g/t	Silver	Lead	Zinc
					g/t	%	%
SA - 01	47.65	73.45	25.8	0	194	0.05	0.11
SA - 05	19.8	33.6	13.8	0.01	213	0.09	0.20
SA - 08	14	16.5	2.5	0	212	0.34	0.44
	66.5	79.3	12.8	0	84	0.38	0.78
	91.2	96.3	5.1	0	107	0.35	0.90
SA - 09	21.6	27.7	6.1	0	149	0.20	0.28
	93.2	98.9	5.7	0	152	0.32	0.69
SA - 10	11.3	28	16.7	0	129	0.20	0.27
	44.6	53	8.4	0	137	0.54	0.65
	107.3	115.55	8.25	0	683	0.78	0.97
SA - 11	35.4	40.8	5.4	0	217	0.02	0.14
	55.5	59	3.5	0	122	0.09	0.22
SA - 12	40.8	75.3	34.5	0	134	0.13	0.15
SA - 13	53	63.7	10.7	0	296	0.05	0.10
SA - 16	49.6	62.5	12.9	0	172	0.03	0.12
SA - 17	45	64	19	0	156	0.13	0.20
SA - 19	25	86.9	61.9	0	184	0.16	0.25
SA - 20	0	36.1	36.1	0	113	0.06	0.14
	85	88.5	3.5	0	229	0.06	0.19
	101	102.65	1.65	0	149	0.06	0.13
SA - 21	0	5.85	5.85	0	98	0.15	0.22
	39.4	41	1.6	0	488	0.18	0.24
	53.2	56.5	3.3	0	254	0.76	0.53
SA - 23	79.9	81.2	1.3	0	1025	0.08	0.30
	147	175.2	28.2	0	117	0.33	0.62
	212.9	214.55	1.65	0.18	104	0.61	2.03
	247	248.9	1.9	0	365	0.21	0.27
SA - 24	22	29	7	0	98	0.07	0.19
	41	45	4	0	100	0.15	0.28
	120.1	122.3	2.2	0	696	0.18	0.19
	150.7	152	1.3	0	191	0.81	1.00
	160.5	162.6	2.1	0.08	414	0.49	1.71

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SA - 25	13.9	16.5	2.6	0	267	0.17	0.19
	30.1	32.5	2.4	0	215	0.06	0.35
	40.3	41.3	1	0.07	2934	1.01	1.14
	41.3	43.1	1.8	0	159	0.08	0.19
	43.1	50.5	7.4	0	210	0.34	0.43
SA - 29	49.2	58.6	9.4	0.01	135	0.27	0.67
	65	67	2	0	133	0.32	0.86
SA - 30	91.2	93.3	2.1	0.32	112	0.03	0.07
SA - 31	39	46.5	7.5	0	132	0.07	0.21
SA - 37	10.7	13.2	2.5	0	322	0.06	0.21
	21.3	23.7	2.4	0	277	0.10	0.19
	36.5	37.3	0.8	0	164	0.12	0.22
	41	43	2	0	110	0.02	0.15
	46	47	1	0	322	0.02	0.13
	60.6	61.4	0.8	0	861	5.46	0.18
SA - 45	21.1	25.7	4.6	0	175	0.44	0.22
	39.4	45.5	6.1	0	191	0.42	0.26
	52.15	53	0.85	0	600	0.45	0.32
	62.2	66.4	4.2	0	227	0.38	0.59
SA - 51	18	20	2	0	91	0.05	0.10
	31	38	7	0	191	0.06	0.15
SA - 52	82.3	85.15	2.85	6.7	632	0.04	0.08
SA - 53	29	31	2	2.13	273	0.05	0.10

Additional information regarding our drilling activities at the San Antonio.El Carmen drilling include:

Drill holes SA-41 to SA-43 are step out holes to the west of the San Antonio mineralized structure, and SA-44 and SA-45 are infill drill holes in the stockwork mineralization between the San Antonio and El Carmen structures. Hole SA-46 was drilled to test the down-dip extension of part of the San Antonio structure. Holes SA-47, SA-48, SA-49, SA-50, and SA-51 were drilled to test the on-strike continuity of various segments of the San Antonio-El Carmen mineralized zone. SA-52 and SA-53 were drilled to test a new zone, El Carmen North. Trench TSA-23 was done to test the continuity of the El Carmen mineralized structure in the north.

TSA-23 cut 8.0 meters of 290 g/t silver

SA-41 intercepted 3.8 meters (2.11 meters of true width) of 110 g/t silver

SA-45 had intercepts of:

1.

4.6 meters (3.07 meters of true width) of 175 g/t silver

2.

6.1 meters (4.07 meters of true width) of 191 g/t silver

3.

0.85 meters (0.61 meters of true width) of 600 g/t silver

4.

4.2 meters (2.6 meters of true width) of 227 g/t silver

SA-47 intercepted 2.6 meters (1.73 meters of true width) of 212 g/t silver

SA-48 had intercepts of 3.0 meters (1.50 meters of true width) of 101 g/t silver, and 2.0 meters (1.44 meters of true width) of 154 g/t silver

SA-51 intercepted 7.0 meters (5.44 meters of true width) of 191 g/t silver

SA-52 intercepted 2.85 meters (2.06 meters of true width) of 6.70 g/t gold and 632 g/t silver, including 0.85 meters (0.72 meters of true width) of 17.75 g/t gold and 1,600 g/t silver

SA-53 intercepted 2.00 meters (1.78 meters of true width) of 2.13 g/t gold and 273 g/t silver

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Holes SA-52 and SA-53 discovered a new gold-rich structure in the El Carmen North zone, about 120 meters north of hole SA-48. This new structure is open on-strike and down-dip.

Follow-up drilling is planned, to:

1)

Expand the San Antonio/El Carmen zone and define high-grade ore bodies, and;

2)

Further test the new El Carmen North structure to determine the extent of the bonanza gold-silver grades.

Hole No.	From Meters	To Meters	Interval Meters	True Width	Au ppm	Ag ppm	AuE ppm	Pb %	Zn %
SA - 41	18.20	19.20	1.00	0.61	0.00	115.00	1.92	0.07	0.25
	54.80	55.20	0.40	0.24	0.00	332.00	5.53	0.05	0.18
	58.00	61.80	3.80	2.11	0.00	110.00	1.84	0.01	0.09
	150.00	152.10	2.10	1.05	0.00	18.00	0.30	1.09	0.12
SA - 42	0.00	9.90	9.90	6.60	0.00	19.00	0.32	0.01	0.09
	30.60	31.40	0.80	0.53	0.00	43.00	0.72	0.08	0.12
	35.00	44.00	9.00	4.50	0.00	26.00	0.43	0.02	0.12
SA - 43	0.00	13.40	13.40	8.93	0.00	15.00	0.24	0.02	0.18
	21.00	32.00	11.00	7.33	0.00	11.00	0.18	0.06	0.13

Hole No.	From Meters	To Meters	Interval Meters	True Width	Au ppm	Ag ppm	AuE ppm	Pb %	Zn %
SA - 44	19.00	27.00	8.00	5.33	0.00	41.00	0.68	0.10	0.24
	55.40	62.10	6.70	4.09	0.00	25.00	0.42	0.09	0.20
	68.10	69.00	0.90	0.60	0.00	99.00	1.65	0.37	0.24
	75.30	78.40	3.10	2.07	0.00	39.00	0.65	0.21	0.52
	95.00	97.50	2.50	1.81	0.00	47.00	0.79	0.19	0.62
	126.00	128.00	2.00	1.56	0.00	86.00	1.43	0.27	0.69
SA - 45	0.00	21.10	21.10	12.89	0.00	43.00	0.69	0.42	0.14
	21.10	25.70	4.60	3.07	0.00	175.00	2.91	0.44	0.22
	25.70	39.40	13.70	9.13	0.00	19.00	0.32	0.48	0.22
	39.40	45.50	6.10	4.07	0.00	191.00	3.18	0.42	0.26
	52.15	53.00	0.85	0.61	0.00	600.00	10.00	0.45	0.32
	53.00	62.20	9.20	7.16	0.00	29.00	0.49	0.45	0.25
	62.20	66.40	4.20	2.57	0.00	227.00	3.78	0.38	0.59
	0.00	66.40	66.40		0.00	73.00	1.22	0.44	0.22
SA - 46	83.90	87.00	3.10	2.76	0.00	24.00	0.39	0.25	0.48
	93.10	94.00	0.90	0.65	0.00	75.00	1.25	0.06	0.17
	107.00	114.00	7.00	5.44	0.00	18.00	0.29	0.12	0.22
	127.90	131.20	3.30	2.57	0.00	39.00	0.66	0.13	0.39
	136.00	151.50	15.50	11.19	0.00	30.00	0.50	0.34	0.84
	159.00	161.00	2.00	1.78	0.00	43.00	0.72	0.22	0.45
SA - 47	10.10	14.00	3.90	2.60	0.00	43.00	0.71	0.05	0.01
	14.00	16.60	2.60	1.73	0.00	212.00	3.53	0.07	0.13
SA - 48	20.90	21.30	0.40	0.29	0.00	102.00	1.70	0.17	0.22
	33.00	34.00	1.00	0.67	0.00	215.00	3.58	0.30	0.53
	38.00	41.00	3.00	1.50	0.00	101.00	1.68	0.12	0.22
	52.00	54.00	2.00	1.44	0.00	154.00	2.57	0.11	0.29
	54.00	56.00	2.00	1.33	0.00	37.00	0.62	0.25	0.40
	74.40	75.20	0.80	0.62	0.00	44.00	0.73	0.37	0.70
	133.00	137.10	4.10	2.73	0.00	31.00	0.51	0.03	0.10

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144.00	147.00	3.00	2.33	0.02	64.00	1.07	0.13	0.30
159.00	160.00	1.00	0.78	0.38	0.00	0.38	0.00	0.01
179.50	191.60	12.10	10.76	0.02	58.00	0.98	0.09	0.20
200.50	208.40	7.90	6.14	0.00	21.00	0.35	0.02	0.06

Hole No.	From Meters	To Meters	Interval Meters	True Width	Au ppm	Ag ppm	AuE ppm	Pb %	Zn %
SA - 49	22.00	23.00	1.00	0.67	0.00	68.00	1.13	0.13	0.18
	33.00	34.00	1.00	0.78	0.00	198.00	3.30	0.23	0.19
	43.40	52.70	9.30	6.72	0.00	20.00	0.34	0.02	0.18
	52.70	53.70	1.00	0.72	0.00	408.00	6.80	0.21	0.28
	109.00	110.00	1.00	0.89	0.00	74.00	1.23	0.28	0.44
	120.00	127.70	7.70	4.28	0.00	18.00	0.30	0.08	0.22
	174.10	187.00	12.90	8.60	0.00	15.00	0.24	0.24	0.66
	187.00	188.60	1.60	1.07	0.00	135.00	2.25	0.37	0.91
	196.50	205.90	9.40	6.27	0.00	23.00	0.38	0.21	0.60
	213.20	216.90	3.70	2.47	0.00	28.00	0.45	0.28	0.75
	266.80	271.60	4.80	2.93	0.00	27.00	0.46	0.16	0.48
	295.60	308.20	12.60	5.60	0.00	18.00	0.30	0.38	0.72
SA - 50	22.20	23.80	1.60	1.07	0.00	238.00	3.97	0.08	0.17
	23.80	26.60	2.80	1.87	0.00	41.00	0.69	0.07	0.32
	42.60	47.90	5.30	3.53	0.00	25.00	0.42	0.03	0.13
	47.90	48.85	0.95	0.69	0.00	596.00	9.93	0.10	0.14
	51.00	52.30	1.30	0.65	0.00	130.00	2.16	0.02	0.10
	52.30	55.00	2.70	1.50	0.00	22.00	0.36	0.02	0.06
	68.50	72.60	4.10	2.05	0.00	85.00	1.41	0.05	0.15
	74.50	76.70	2.20	1.71	0.00	56.00	0.94	0.16	0.20
	87.80	88.80	1.00	0.56	0.00	71.00	1.18	0.16	0.12
	194.90	196.90	2.00	1.00	0.00	43.00	0.71	0.16	0.22
	202.30	203.00	0.70	0.47	0.00	40.00	0.67	0.04	0.11
	208.90	209.30	0.40	0.22	2.65	188.00	5.78	0.20	0.34
SA - 51	18.00	20.00	2.00	1.33	0.00	91.00	1.51	0.05	0.10
	24.00	30.00	6.00	4.67	0.00	19.00	0.32	0.02	0.08
	31.00	38.00	7.00	5.44	0.00	191.00	3.19	0.06	0.15
	99.10	102.40	3.30	2.20	0.00	53.00	0.88	0.19	0.58
SA - 52	20.00	22.10	2.10	1.63	0.00	32.00	0.54	0.43	1.18
	76.30	79.40	3.10	2.24	0.04	32.00	0.57	0.05	0.17
	79.40	82.30	2.90	1.93	0.44	89.00	1.92	0.03	0.09

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	82.30	85.15	2.85	2.06	6.70	632.00	17.25	0.04	0.08
including	84.30	85.15	0.85	0.72	17.75	1600.00	44.42	0.07	0.10
	85.15	88.00	2.85	2.22	0.26	28.00	0.72	0.02	0.04
SA - 53	29.00	31.00	2.00	1.78	2.13	273.00	6.68	0.05	0.10
	31.00	34.00	3.00	2.17	0.12	18.00	0.30	0.01	0.04
	72.00	73.00	1.00	0.67	0.22	0.00	0.22	0.00	0.01
	103.40	104.20	0.80	0.53	0.17	0.00	0.17	0.00	0.01
	108.70	109.55	0.85	0.47	0.16	0.00	0.16	0.00	0.01

Trench No	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuE (g/t)	Pb (%)	Zn (%)
TSA-23	21.50	23.00	1.50	0.00	78.00	1.30	0.66	0.23
	42.30	52.60	10.30	0.04	44.00	0.77	0.05	0.38
	52.60	60.60	8.00	0.00	290.00	4.83	0.10	0.37
	60.60	66.60	6.00	0.00	48.00	0.80	0.05	0.43

La Veronica - Selected Significant Drill Core Intercepts

Hole No. DDH	From Meters	To Meters	Interval Meters	Au ppm	Ag ppm	Pb %	Zn %
LV-01	0.8	2.5	1.7	0	151	0.12	0.07
	27	28.9	1.9	0	109	0.05	0.13
	111.7	112.3	0.6	0.26	326	0.16	0.26
LV-02	42.8	45.9	3.1	0	188	0.06	0.13
	96.6	101	4.4	0.32	439	0.16	0.42
LV-03	19	20	1	0	195	0.05	0.29
	85	90.2	5.2	0.04	224	0.29	0.63
LV-04	4.8	5.85	1.05	1.52	8	0.01	0.02
	63.8	81.55	17.75	0.07	136	0.17	0.44
LV-05	106	107	1	0	110	0.04	0.09
	145.8	146.8	1	0.13	138	0.04	0.11
LV-06	201.2	202	0.8	8.25	0	0	0.01
LV-08	6.45	13	6.55	0.41	2	0	0.02
	14.2	17.3	3.1	0.16	111	0.05	0.17
LV-09	0	2.8	2.8	0.69	200	0.01	0.05
LV-10	0	2.8	2.8	0.02	80	0	0.04
	35.95	50.9	14.95	0.11	214	0.12	0.27
	59.1	60.1	1	5.42	0	0.01	0.1
LV-11	38	39	1	0.71	114	0.12	0.15
LV-12	39.4	55	15.6	0.03	86	0.03	0.07
LV-13	59	74	15	0.05	65	0.02	0.07
	81.2	87.1	5.9	0.06	66	0.02	0.05

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LV-14	53	70.5	17.5	0.04	83 0.03	0.1
	184.2	185	0.8	0.14	138 0.02	0.05
LV-18	57.5	59.5	2	0	128 0.03	0.1
	82.8	83.9	1.1	0.1	75 0.01	0.01
LV-19	6	7.5	1.5	0.1	109 0.16	0.14
	102.5	103.1	0.6	0.29	50 0.04	0.07
LV-24	23.65	27.6	3.95	0.73	70	
	48.9	51.25	2.35	0.82	18	
	67	71	4	0.25	58	
	167.8	168.8	1	0.07	69	
LV-15	31.7	33.5	1.8	0.26	175	
LV-19	53.7	78	24.3	0.09	37.54	
LV-20	39	46.9	7.9	0.19	66	
LV-21	33.3	40	6.7	0	118	
	52.1	55	2.9	0.04	339	
LV-22	84	91	7	0.19	56.57	
LV-23	126	155	29	0.46	4	
	205.3	206.1	0.8	3.31	106	
LV-25	81	83	2	0.31	136	
LV-26	26.7	32.35	5.65	0	89	
	71.7	78.4	6.7	0.1	53	

The La Union area, in the southern portion of the Guazapares structure, was drilled to shallow depths early in the project's history. A re-interpretation of the earlier drilling based on knowledge gained from deeper exploration at the San Miguel and San Antonio mineralized zones, led Paramount to drill the La Union at greater depth along the principal vein, near the better early intercepts.

Diamond drill holes LU-14 through LU-17 were drilled to intercept the La Union vein at more than 100 meters depth below good intercepts in the first round of drilling. The significant intercepts are noted in the table below.

For further details visit www.paramountgold.com

Hole Number	From (Meters)	To (Meters)	Interval (Meters)	True Width (Meters)	Gold (grams/ton)	Silver (grams/ton)	Gold Equiv. (grams/ton)	Grade Thickness (Gold Equiv.) (grams x meters)	
LU-14	142.00	143.00	1.00	0.50	3.58	3.00	3.64	1.82	
	175.80	176.65	0.85	0.42	1.90	6.00	2.02	0.85	
	215.30	218.65	3.35	1.68	4.55	11.00	4.77	8.01	
	283.00	284.00	1.00	0.50	2.28	9.00	2.46	1.23	
LU-15	125.00	126.00	1.00	0.71	1.75	3.00	1.81	1.28	
	131.00	134.15	3.15	2.23	26.07	9.00	26.25	58.54	
	incl	131.00	133.00	2.00	1.41	37.45	12.00	37.68	53.13
	and	133.00	134.15	1.15	0.81	6.27	5.0	6.37	5.16
	140.9	143	2.10	1.48	3.66	2.00	3.71	5.49	
LU-16	91.25	99.20	7.95	6.18	3.93	32.00	4.56	28.18	
	incl	96.00	97.00	1.00	0.78	11.40	11.00	11.62	9.06
LU-17	85.90	88.10	2.20	1.91	1.27	673	14.73	28.13	
	incl	85.90	87.00	1.10	0.95	0.03	1320.00	26.43	25.11
	and	87.00	88.10	1.10	0.95	2.52	26.00	3.04	2.89

LU-14 was drilled below LU-4, extending the mineralization 50 meters deeper with gold grades increasing at depth.

Hole LU-15 intercepted the vein 125 meters down dip from the intercept in LU-06 and cut 2.23 meters grading 26.07 g/t Au in the main vein, the highest gold grade in the southern half of the Guazapares structure.

Hole LU-16 was drilled approximately 50 meters to the south of LU-15 at slightly shallower depth and showed a wide zone of precious and base-metal mineralization (6.18m @ 3.93 g/t Au and 32 g/t Ag, plus 1.97% Pb and 1.29% Zn).

LU-17 was drilled an additional 50 meters to the south of LU-16 and intercepted high-grade silver and base-metal mineralization over a mineable width (1.91 metres @ 1.27 g/t Au, 673 g/t Ag, plus 2.63% Pb and 5.81% Zn). This intercept alone has an estimated gross dollar value of \$540 per ton at today's prices.

These four new drill holes at La Union indicate the presence of a new mineralized zone containing areas of high gold, silver and base metals values. This new body of mineralization which we designate as Clavo 66 remains open to the north and south along strike and down dip.

The San Miguel vein structure continues to be Paramount's current exploration focus at the San Miguel project. Selected significant drill core intercepts from the San Miguel vein area are presented below.

San Miguel Vein - Selected Significant Drill Core Intercepts

Hole Number DDH	From Meters	To Meters	Interval Meters	Gold ppm	Silver ppm
SM-01	42.0	72.0	30.0	0.32	113
	72.0	86.0	14.0	2.99	149
SM-02	50.5	65.0	14.6	0.47	220
SM-03	34.5	48.1	13.6	0.48	410
	48.6	60.5	12.0	0.37	105
SM-04	30.2	36.0	5.8	0.13	595
	52.7	56.8	4.1	0.96	545
	95.3	100.0	4.7	13.93	115
SM-05	50.8	57.9	7.2	1.05	159
SM-06	51.9	62.0	10.1	0.82	41
	98.5	115.0	16.5	0.75	18
SM-07	45.0	48.6	3.6	0.48	60
	50.8	56.0	5.2	0.46	67
	56.6	66.0	9.4	0.93	255
SM-13	122.1	123.7	1.6	6.39	172
	123.7	143.2	19.5	0.76	37
	157.0	163.8	6.8	1.04	6
SM-15	130.8	132.7	1.9	3.30	503
	139.0	145.7	6.7	4.32	573
	148.4	151.1	2.7	7.94	35
SM-16	45.5	49.7	4.2	0.51	323
SM-18	93.3	99.0	5.7	0.10	292
	139.0	151.6	12.6	1.53	41
SM-20	117.6	121.3	3.8	1.23	834
SM-24	132.5	144.5	12.0	3.52	60
	146.6	147.8	1.2	4.13	16
SM-27	17.0	18.0	1.0	0.03	241
	30.0	31.7	1.7	0.31	140
SM-29	32.3	33.3	1.0	0.09	141
SM-33	136.0	138.0	2.0	0.08	97
	147.4	148.9	1.5	0.15	176

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	159.2	166.5	7.3	2.17	29
SM-34	157.8	196.0	38.2	0.66	19
SM-35	145.1	173.4	28.3	1.84	76
SM-36	195.0	199.0	4.0	0.70	182
	210.0	214.9	4.9	3.04	154
SM-37	209.2	215.7	6.5	1.36	53
SM-38	193.5	201.1	7.6	1.34	436
	221.0	222.0	1.0	4.98	21
SM-39	202.4	203.5	1.1	1.12	1360
	268.1	289.0	20.9	2.00	15
	299.7	300.2	0.5	11.75	41
	303.1	303.5	0.4	19.50	201
	345.0	346.0	1.0	20.00	206
SM-40	241.0	250.8	9.8	4.92	100
	280.0	292.6	12.6	2.58	24
	300.0	301.0	1.0	16.80	36
SM-41	245.2	247.3	2.1	6.72	11
	279.3	280.9	1.6	2.57	7
	286.0	287.0	1.0	2.53	11

Hole Number DDH	From Meters	To Meters	Interval Meters	Gold ppm	Silver ppm
SM-42	195.7	204.8	9.1	6.06	16
SM-43	163.0	180.7	17.7	0.89	30
SM-44	104.1	236.2	132.1	0.33	55
	incl. 118.0	122.9	4.9	1.77	954
	incl. 233.6	236.2	2.6	4.06	42

Assay results from diamond drill holes SM-45, 46 and 47 were drilled to intercept the vein below the excellent holes SM-13, 15 and 24, near the northwestern margin of Clavo 99. SM-45 and 46 cut the vein 50 meters down dip, and SM-47 cut the vein 100 meters down dip from holes SM-45 and 46. Hole SM-47 indicates that Clavo 99 extends to a depth of nearly 300 meters in the northwestern portion and remains open at depth, and to the northwest.

Hole Number	From (meters)	To (meters)	Interval (meters)	True Width (meters)	Gold (grams/ton)	Silver (grams/ton)	Gold Equiv. (grams/ton)	Grade Thickness (grams x meters)
SM-45	144.6	150.2	5.6	3.96	0.34	45	1.24	4.91
	150.2	155.95	5.75	4.07	3.13	206	7.25	29.47
SM-46	161.0	166.1	5.1	3.91	0.12	11	0.34	1.33
	180.0	184.2	4.2	3.22	0.41	1	0.44	1.42
	incl. 180.9	181.7	0.8	0.61	0.99	4	1.07	0.66
SM-47	188.0	206.0	18.0	12.73	0.81	24	1.30	16.54
	incl. 188.0	191.0	3.0	2.12	1.15	15	1.44	3.05
	incl. 198.0	201.0	3.0	2.12	1.80	15	2.11	4.48
	incl. 204.6	206.0	1.4	0.99	2.72	204	6.79	6.72

SM-54	211.70	212.70	1.00	0.57	1.79	338.0	8.55	4.87
	222.80	223.80	1.00	0.57	1.53	120.0	3.93	2.24
	245.90	262.50	7.60	4.33	3.27	215.9	7.59	32.86
SM-60	161.20	166.40	5.20	2.98	0.13	17.8	0.49	1.46
	172.3	178.20	5.90	3.38	0.61	20.60	1.02	3.45
	204.10	208.50	4.40	2.52	1.29	6.1	1.41	3.55
SM-61	183.85	192.00	8.15	5.35	1.04	88.9	2.82	15.09
incl.	186.00	190.30	4.30	2.82	1.52	156.6	4.65	13.11
	197.00	205.00	8.00	5.25	2.47	251.2	7.49	39.32
	205.00	208.50	3.05	2.00	0.32	8.3	0.49	0.98
	208.50	213.00	4.95	3.25	2.03	21.9	2.47	8.03
	213.00	217.20	4.20	2.76	0.21	5.4	0.32	0.88
	197.00	217.20	20.20	13.25	1.57	107.2	3.71	49.17

* Calculated at Ag/Au =
50

Quality Control

Paramount takes detailed digital photos of the entire core before it is cut by saw to half core which is assayed at ALS Chemex's Vancouver laboratory. As part of quality assurance, quality control (QA/QC), Paramount has put into place a detailed program of periodically introducing certified standards, blanks and duplicates into the sample stream. Half-core samples are being retained on site for verification and reference purposes.

The qualified person who reviews the news releases is Dana C. Durgin, M. Sc. Economic Geology. He is a Certified Professional Geologist (CPG #10364) with the American Institute of Professional Geologists, and a Registered Professional Geologist in Wyoming (PG-2886).

Comparison of Operating Results for the Three Months ended September 30, 2008 and 2007 and from Inception, (March 25, 2005).

Revenues

We are an exploratory mining company with no revenues from operations to date. All of our revenues to date represent interest income which we have earned as a result of our cash holdings. Our cash holdings were generated from the sale of our securities. Interest income for the three months ended September 30, 2008 was \$97,277 as compared to \$185,062 for the three months ended September 30, 2007. Since inception (March 29, 2005), we have generated \$830,304 in interest income. The interest income has been generated as a result of various financings which we have undertaken. Monies are deposited in interest bearing accounts until such time as needed for drilling and

general working capital purposes.

Our interest income continues to decline as a result of our diminishing cash holdings. Unless we secure additional capital financing, of which there can be no assurance, we anticipate that this trend will continue.

Operating Expenses

For the three months ended September 30, 2008 as compared to the three months ended September 30, 2007, our total operating expenses were \$3,158,655 as compared to \$6,663,049. Total expenses since inception through September 30, 2008 were \$39,847,768.

Our total operating expenses for the comparative quarters in September 2008 as compared to September 2007 declined approximately 53%. The two most significant line item expenses directly related to this decrease in expenses is attributable to lower exploration costs and lower costs attributable to stock based compensation.

Exploration and geology costs totaled \$1,449,884 and \$339,595 for the three months ended September 30, 2008 as compared to \$2,048,446 and \$80,194 for the three months ended September 30, 2007.

The significant decrease in our exploration expenses is related to management's decision to reduce ongoing drilling activities until such time as additional working capital can be secured. In addition, management has determined that in the short term, their ongoing exploration activities should focus on reviewing geological data to further identify optimal drilling targets. The renewed emphasis on geology as compared to drilling resulted in a 450% increase in geology costs during this most recently completed fiscal quarter.

Total exploration and geology costs since inception were \$13,917,961 and \$2,202,650 respectively.

We expect that we will continue to incur a minimum of \$75,000 on geology costs for the next three months. Any further drilling on the property will be subject to the results of our geological results as we attempt to identify proven mineral reserves of both gold and silver, of which there can be no assurance.

We have in the past relied heavily on stock based compensation in order to preserve cash for drilling expenses. Stock based compensation has proven to be an attractive means to compensate some of our key employees, directors, consultants and geologists. 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.

We did however experience a significant decline in stock based compensation for the three months ended September 30, 2008 as compared to the comparable period in 2007, declining from 3,590,907 to \$346,566. The primary reason for this decline was, our stock price has declined significantly. On October 1, 2007 our common stock was trading at \$2.59 per share as compared to \$0.65 on September 30, 2008.

Office and administrative expenses increased from \$76,889 to \$293,474. The primary reasons for this significant increase in costs were the result of fees and costs associated with the closing of our office in Peru and approximately \$160,000 in costs and expenses incurred as with respect to securing tax refunds from the Mexican government.

We also witnessed a significant decline in corporate communication fees which declined from \$207,066 to \$68,230 for the three and nine months ended September 30, 2008. Total corporate communication fees since inception were \$954,828.

Professional fees for the three months ended September 30, 2008 decreased from \$266,883 to \$234,976. Professional fees are related to our dual listings on the American Stock Exchange, Toronto Stock Exchange as well as regulatory compliance. In addition, we incurred significant legal fees with respect to our planned operations and funding activities with Mexoro Mineral and the acquisition of the remaining 30% equity in the San Miguel joint venture with Tara Gold Resources.

Net Income (loss)

Our Net Loss for the three months ended September 30, 2008 was \$(3,061,378) as compared to a net loss of \$(6,477,987) in 2007. Due to foreign currency translation adjustments, our total comprehensive loss for the three months ended September 30, 2008 was \$(3,450,831) as compared to \$(6,463,075). Our Net Loss per Share was \$ (0.06) as compare to a Net Loss per Share of \$(0.14) for the comparable periods in 2007. 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

September 30, 2008 as compared to June 30, 2008

As of September 30, 2008, we had cash totaling \$1,211,497 as compared to \$3,199,848 as of June 30, 2008. This decline of approximately \$2 million is directly attributable to ongoing expenses with no revenues from operations as well as the limited success in securing additional financing. Amounts receivable totaled \$1,380,322 as compared to \$1,384,492 and represent primarily value added tax and refunds receivable from the Mexican government. Notes receivable including accrued interest totaled \$1,402,981 as compared to \$870,000.

Prepaid expenses and deposits declined from \$379,348 to \$187,551. This decline is primarily attributable to stock based compensation which has been earned since the date of issuance.

Total current assets were \$3,825,192 as compared to \$5,833,688.

Our long term assets at September 30, 2008 totaled \$15,313,832 as compared to \$6,098,640. Long term assets consist of our mineral properties located within the Sierra Madre gold district in Mexico which we valued at \$13,679,197 as compared to \$4,738,747 as of June 30, 2008. The Company has capitalized the acquisition costs of these properties. We also have fixed assets consisting of property and equipment totaling \$592,960 as compared to \$354,996 net of depreciation.

Total assets at September 30, 2008 were \$19,139,024 as compared to \$11,932,328. This represents an increase of approximately 60% which is primarily attributable to our acquisition of the remaining 30% interest in our joint venture.

Our current liabilities as of September 30, 2008 totaled \$1,605,956 as compared to \$1,714,620 at June 30, 2008.

We have a working capital surplus at March 31, 2008 (current assets less current liabilities) of \$2,219,236 as compared to a working capital surplus of \$4,119,068 as of June 30, 2008, representing a decline of approximately 47%. 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 finance necessary 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.

Item 3.

Quantitative and Qualitative Disclosure About Market Risk

Our major commodity price risk exposure relates to the then current market value of any silver or gold reserves which we choose to exploit. A dramatic drop in the price of gold or silver would make commercial exploitation of any of our properties less likely than if prices remained at their current level.

We are also subject to currency fluctuations between the United States, Mexico and Canada. We do not plan on entering into any hedging transactions. Rather, management will continue to evaluate the market risks and address these issues should they become material to the Company's ongoing operations.

Item 4.

Controls and Procedures

(a)

Evaluation of Disclosure Controls and Procedures

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

(b)

Changes in Internal Control over Financial Reporting

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

(c)

Inherent Limitations of Disclosure Controls and Internal Controls over Financial Reporting

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

Item 4t.

The information required by Item 4t is contained in Item 4.

PART II. OTHER INFORMATION

Item 1.

Legal Proceedings

None.

Item 1A.

Risk Factors

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

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended September 30, 2008, we issued shares of our common stock and common stock purchase warrants for services rendered and to acquire mineral rights. We also issued shares of our common stock and warrants in connection with our funding activities. We relied on the exemptive provisions of Section 4(2) of the Securities Act. We have also offered shares pursuant to the exemptive provisions of Regulation S.

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

the sale was made to a sophisticated or accredited investor, as defined in Rule 502;

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

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

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

On August 4, 2008 we completed a private placement financing of 1,000,000 units priced at \$1.40 per unit (all funds in CDN dollars) for proceeds of \$1,400,000. Each unit consists of one common share and one half common share purchase warrant with a strike price of \$2.10 per share.

Also on August 4, 2008 we completed a private placement financing of 71,429 units priced at \$1.40 per unit (all funds CDN dollars) for proceeds of \$100,000. Each unit consists of one common share and one half common share purchase warrant with a strike price of \$2.50.

We also issued 7,350,000 shares of our common stock in connection with the purchase of a mining property and 300,000 shares of our common stock for services rendered in connection with the acquisition of the mineral rights.

Proceeds received from the private placement financings were used for general working capital purposes primarily related to our ongoing drilling operations.

Item 3.

Defaults upon senior securities

Not Applicable.

Item 4.

Submission of matters to a vote of security holders

None.

Item 5.

Other information

None.

Item 6.

Exhibits

None

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
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 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.
- 31.1 Section 302 Certification of the Principal 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 *

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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: November 12,
2008

By:

/s/ CHRISTOPHER CRUPI

Christopher Crupi
Chief Executive Officer

Date: November 12, 2008

/s/ LUCIE LETELLIER

Lucie Letellier
Chief Financial Officer