Fly Leasing Ltd
Form F-3/A
April 11, 2013
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As filed with the Securities and Exchange Commission on April 11, 2013

Registration No. 333-187305

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1

to

Form F-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FLY LEASING LIMITED

(Exact Name of Registrant as Specified in Its Charter)

Bermuda		98-0536376
(State or Other Jurisdiction of Incorporation or Organization)		(I.R.S. Employer Identification No.)

West Pier

Dun Laoghaire

County Dublin, Ireland

Tel. +353-1-231-1900

(Address and telephone number of Registrant s principal executive offices)

Puglisi & Associates

850 Library Avenue, Suite 204

Newark, Delaware 19711

Tel. (302) 738-6680

(Name, address, and telephone number of agent for service)

Copies to:

Boris Dolgonos, Esq.

Jones Day

222 East 41st Street

New York, New York 10017

(212) 326-3939

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED APRIL 11, 2013

2,191,060 American Depositary Shares

Fly Leasing Limited

Representing 2,191,060 Common Shares

This prospectus relates solely to the resale of up to 2,191,060 common shares of Fly Leasing Limited (Fly or the Company) in the form of American Depositary Shares (ADSs) by the selling shareholders identified in this prospectus. Each ADS represents one common share.

The selling shareholders identified in this prospectus (which term as used herein includes their pledgees, donees, transferees or other successors-in-interest) may offer the shares from time to time as such selling shareholders may determine through public or private transactions or through other means described in the section entitled Plan of Distribution beginning on page 24. The prices at which the selling shareholders may sell the ADSs may be determined by the prevailing market price for the ADSs at the time of sale, may be different from such prevailing market price or may be determined through negotiated transactions with third parties. We will not receive any of the proceeds from the sale of these ADSs by the selling shareholders.

Our ADSs are listed on the New York Stock Exchange under the symbol FLY. The last reported sale price of our ADSs on April 10, 2013 was $15.55 per ADS.

Investing in our securities involves risks. See Risk Factors beginning on page 4 of our annual report on Form 20-F for the year ended December 31, 2012, which is incorporated by reference herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2013.

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You should rely only on the information contained, or incorporated by reference in this prospectus, or any free writing prospectus prepared by us or on our behalf. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer of these securities in any jurisdiction where an offer is not permitted. The information in this prospectus is only accurate on the date of this prospectus. Our business, financial condition, results of operations and prospectus may have changed since then.

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Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of our ADSs and other securities to and between persons resident and non-resident of Bermuda for exchange control purposes provided our ADSs remain listed on an appointed stock exchange, which includes the NYSE. This prospectus and any applicable prospectus supplement will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus.

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SUMMARY

This summary highlights selected information contained elsewhere in this prospectus or incorporated herein by reference. This summary may not contain all of the information that you should consider before buying our ADSs from the selling shareholders. You should carefully read this entire prospectus and any applicable prospectus supplement, including each of the documents incorporated herein and therein by reference, before making an investment decision. Unless the context requires otherwise, when used in this prospectus, (1) the terms Fly, Company, we, us and our refer to Fly Leasing Limited and its subsidiaries and (2) all references to our shares refer to our common shares held in the form of ADSs.

Our Company

Fly Leasing Limited is a global lessor of modern, in-demand, fuel-efficient commercial jet aircraft. We are principally engaged in purchasing commercial aircraft which we lease under multi-year contracts to a diverse group of airlines around the world. As of December 31, 2012, we owned a portfolio of 109 aircraft.

Our principal executive offices are located at West Pier, Dun Laoghaire, County Dublin, Ireland. Our telephone number at that address is +353-1-231-1900, and our web address is www.flyleasing.com. Information contained on, or that can be accessed through, our website is not incorporated by reference in this prospectus or any prospectus supplement and does not constitute part of this prospectus or any prospectus supplement.

The Securities We Are Registering

We are using this prospectus to register up to 2,191,060 ADSs that may be sold by the selling shareholders named herein.

The Offering

The summary below describes the principal terms of the securities that may be offered hereunder.

Securities Offered by the Selling Shareholders	2,191,060 common shares in the form of ADSs.
ADSs Outstanding	28,124,536 ADSs outstanding as of March 31, 2013. Each ADS represents one common share.
Depositary	Deutsche Bank Trust Company Americas.
Use of Proceeds	We will not receive any proceeds from the sale of our ADSs by the selling shareholders.
Listing	Our ADSs are listed on the New York Stock Exchange under the symbol FLY.

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RISK FACTORS

An investment in our ADSs involves a high degree of risk. You should carefully consider the risk factors incorporated by reference from our most recent Annual Report on Form 20-F and the other information contained in this prospectus, as updated by our subsequent filings with the SEC, pursuant to Sections 13(a), 14 or 15(d) of the Exchange Act, which are incorporated herein by reference, before buying our ADSs. For more information see Where You Can Find More Information and Incorporation of Certain Documents By Reference.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, the registration statement of which it forms a part and the documents incorporated by reference into these documents contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We use words such as anticipates, believes, plans, expects, future, intends, will, foresee and similar expressions to identify these forward-looking statements. In addition, to time we or our representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those discussed in our most recent Annual Report on Form 20-F, which is incorporated by reference herein. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management s opinions only as of the date hereof. Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we have made or will make in our reports to the SEC on Forms 20-F and 6-K. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this prospectus.

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USE OF PROCEEDS

We will not receive any proceeds from the resale of our ADSs pursuant to an offering pursuant to this prospectus.

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CAPITALIZATION

The following table presents our (1) cash and cash equivalents and (2) capitalization as of December 31, 2012.

The information below should be read in conjunction with our (1) consolidated financial statements and notes thereto and (2) Management s Discussion and Analysis of Financial Condition and Results of Operations section of the Annual Report on Form 20-F for the year ended December 31, 2012.

		(Dollars in thousands)
Cash and cash equivalents[1]	$	300,581
Debt		
Notes payable, net	$	639,281
Nord LB Facility		490,717
BOS Facility		268,625
Term Loan		377,646
Other aircraft secured borrowings		276,143
Total secured debt[2]		2,052,412
Shareholders equity		532,002
Total capitalization	$	2,584,414

(1) Includes restricted cash of $137.5 million.
(2) Net of unamortized debt discount of $62.9 million.

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PRICE RANGE OF OUR SHARES

Our ADSs, each representing one common share, are traded on the New York Stock Exchange under the symbol FLY. On April 10, 2013, the last reported sale price of our ADSs was $15.55 per ADS.

The following table sets forth the annual high and low market prices for our ADSs on the New York Stock Exchange for the five most recent full financial years:

	High	Low
2008	$ 18.85	$ 4.70
2009	10.29	2.50
2010	13.99	8.76
2011	14.58	10.00
2012	14.17	11.06

The following table sets forth the quarterly high and low market prices for our ADSs on the New York Stock Exchange for our two most recent full fiscal years:

	High	Low
2011:		
Quarter ending March 31, 2011	$ 14.58	$ 12.17
Quarter ending June 30, 2011	14.54	12.67
Quarter ending September 30, 2011	13.49	10.00
Quarter ending December 31, 2011	13.23	10.53
2012:		
Quarter ending March 31, 2012	14.17	12.01
Quarter ending June 30, 2012	13.76	11.40
Quarter ending September 30, 2012	13.63	12.25
Quarter ending December 31, 2012	13.95	11.06

The following table sets forth the monthly high and low market prices for our ADSs on the New York Stock Exchange for the most recent six months:

	High	Low
2012:		
October	$ 13.95	$ 13.12
November	13.77	11.06
December	12.57	11.65
2013:		
January	13.56	12.51
February	13.95	12.62
March	16.50	13.58

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DESCRIPTION OF SHARE CAPITAL

The following description of our share capital reflects our memorandum of association and our bye-laws. Holders of ADSs will be able to exercise their rights with respect to the common shares underlying the ADSs only in accordance with the terms of the deposit agreement. See Description of American Depositary Shares for more information.

Share Capital

Our authorized share capital consists of US$500,000 divided into 499,999,900 common shares and 100 manager shares par value US$0.001 each. Pursuant to our bye-laws, subject to any resolution of the shareholders to the contrary, our board of directors is authorized to issue any of our authorized but unissued shares. As of March 31, 2013, 28,124,536 common shares were outstanding, issued and fully paid.

Common Shares

Holders of common shares have no pre-emptive, redemption, conversion or sinking fund rights. Holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares. Unless a different majority is required by law or by our bye-laws, resolutions to be approved by holders of common shares require approval by a simple majority of votes cast at a meeting at which a quorum is present. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote our shares except as described herein.

In the event of our liquidation, dissolution or winding up, the holders of common shares are entitled to share equally and ratably in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

Preference Shares

Pursuant to Bermuda law and our bye-laws, our board of directors by resolution may establish one or more series of preference shares having such number of shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed by the board without any further shareholder approval. The rights with respect to a series of preference shares may be greater than the rights attached to our common shares. It is not possible to state the actual effect of the issuance of any preference shares on the rights of holders of our common shares until our board of directors determines the specific rights attached to those preference shares. The effect of issuing preference shares could include one or more of the following:

- restricting dividends in respect of our common shares;
- diluting the voting power of our common shares or providing that holders of preference shares have the right to vote on matters as a class;
- impairing the liquidation rights of our common shares; or
- delaying or preventing a change of control of our company.

As of the date of this prospectus, there are no preference shares outstanding.

Manager Shares

Our manager, Fly Leasing Management Co. Limited, or the Manager, owns 100 manager shares that are entitled to director appointment rights and the right to vote on amendments to the provision of our bye-laws relating to termination of our management agreement with the Manager. Manager shares do not convert into common shares. Upon a termination of our management agreement, the manager shares will cease to have

any appointment and

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voting rights and, to the extent permitted under Section 42 of Companies Act 1981 (Bermuda), or the Companies Act, will be automatically redeemed for their par value. Manager shares are not entitled to receive any dividends and, other than with respect to director appointment rights and the right to vote on certain proposed amendments to our bye-laws as described above, holders of manager shares have no voting rights.

Dividend Rights

Pursuant to Bermuda law, we are restricted from declaring or paying a dividend if there are reasonable grounds for believing that (1) we are, or would after the payment be, unable to pay our liabilities as they become due, or (2) the realizable value of our assets would thereby be less than our liabilities.

There are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to U.S. residents who are holders of our common shares.

Variation of Rights

If at any time we have more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either: (1) with the consent in writing of the holders of 50% of the issued shares of that class; or (2) with the sanction of a resolution passed by a majority of the votes cast at a general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing two-thirds of the issued shares of the relevant class is present. Our bye-laws specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing shares. In addition, the creation or issue of preference shares ranking prior to common shares will not be deemed to vary the rights attached to common shares or, subject to the terms of any other series of preference shares, to vary the rights attached to any other series of preference shares.

Election and Removal of Directors

Our bye-laws provide that our board shall consist of not less than two and not more than 15 directors as the board may from time to time determine. Our board of directors currently consists of eight directors, each of whom serves a term commencing on their election or appointment and continuing until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated. Our bye-laws provide that persons standing for election as directors at a duly constituted and quorate annual general meeting are appointed by shareholders holding shares carrying a plurality of the votes cast on the resolution. Notwithstanding the foregoing, pursuant to our management agreement and our bye-laws, so long as the Manager holds any of our manager shares, our Manager has the right to appoint the whole number of directors on our board of directors that is nearest to but not more than 3/7th of the number of directors on our board of directors at the time. These directors are not required to stand for election by shareholders other than our Manager.

Any shareholder holding at least five percent of the Company s common shares may propose for election as a director someone who is not an existing director or is not proposed by our board by giving notice of the intention to propose the person for election. Where a person is to be proposed for election as a director at an annual general meeting by a shareholder, that notice must be given not less than 90 days nor more than 120 days before the anniversary of the last annual general meeting prior to the giving of the notice or, in the event the annual general meeting is called for a date that is not 25 days before or after such anniversary the notice must be given not later than ten days following the earlier of the date on which notice of the annual general meeting was posted to shareholders or the date on which public disclosure of the date of the annual general meeting was made.

A director (other than a director appointed by the Manager pursuant to its appointment right described above) may be removed with or without cause by a resolution including the affirmative vote of shareholders holding shares carrying at least 80% of the votes of all shares then issued and entitled to vote on the resolution, provided that notice of the shareholders meeting convened to remove the director is given to the director. The notice must contain a statement of the intention to remove the director and must be served on the director not less than 14 days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal. A director appointed by the Manager pursuant to its appointment right described above may be removed with or without cause by the Manager upon notice from the Manager.

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Anti-Takeover Provisions

The following is a summary of certain provisions of our bye-laws that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a shareholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

Pursuant to our bye-laws, our preference shares may be issued from time to time, and the board of directors is authorized to determine the rights, preferences, privileges, qualifications, limitations and restrictions. See Preference Shares.

The authorized but unissued common shares and our preference shares will be available for future issuance by the board of directors, subject to any resolutions of the shareholders. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued common shares and preference shares could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, amalgamation or otherwise.

Our bye-laws provide that if a competitor of BBAM LP acquires beneficial ownership of 15% or more of our common shares, then we have the option, but not the obligation, within 90 days of the acquisition of such threshold beneficial ownership, to require that shareholder to tender for all of our remaining common shares, or to sell such number of common shares to us or to third parties at fair market value as would reduce its beneficial ownership to less than 15%. In addition, our bye-laws provide that the vote of each common share held by a competitor of BBAM LP that beneficially owns 15% or more, but less than 50%, of our common shares will be reduced to three-tenths of a vote per share on all matters upon which shareholders may vote.

Certain Provisions of Bermuda Law

We have been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of our common shares.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of all of the common shares that underlie the ADSs that are the subject of this offering to and between non-residents of Bermuda for exchange control purposes, provided our ADSs remain listed on an appointed stock exchange, which includes the NYSE. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this prospectus. Certain issues and transfers of common shares involving persons deemed resident in Bermuda for exchange control purposes may require the specific consent of the Bermuda Monetary Authority.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, we are not bound to investigate or see to the execution of any such trust. We will take no notice of any trust applicable to any of our shares, whether or not we have been notified of such trust.

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Differences in Corporate Law

You should be aware that the Companies Act, which applies to us, differs in certain material respects from laws generally applicable to Delaware corporations and their shareholders. In order to highlight these differences, set forth below is a summary of certain significant provisions of the Companies Act (including modifications adopted pursuant to our bye-laws) and Bermuda common law applicable to us which differ in certain respects from provisions of the General Corporation Law of the State of Delaware. Because the following statements are summaries, they do not address all aspects of Bermuda law that may be relevant to us and our shareholders or all aspects of Delaware law which may differ from Bermuda law.

Duties of Directors

Our bye-laws provide that our business is to be managed and conducted by our board of directors. At common law, members of the board of directors of a Bermuda company owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty includes the following essential elements:

- a duty to act in good faith in the best interests of the company;
- a duty not to make a personal profit from opportunities that arise from the office of director;
- a duty to avoid conflicts of interest; and
- a duty to exercise powers for the purpose for which such powers were intended.

The Companies Act imposes a duty on directors and officers of a Bermuda company:

- to act honestly and in good faith with a view to the best interests of the company; and
- to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition, the Companies Act imposes various duties on directors and officers of a company with respect to certain matters of management and administration of the company.

Directors and officers generally owe fiduciary duties to the company, and not to the company s individual shareholders. Our shareholders may not have a direct cause of action against our directors.

Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders. The duty of care requires that directors act in an informed and deliberative manner and inform themselves, prior to making a business decision, of all material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of corporate employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the shareholders.

Delaware law provides that a party challenging the propriety of a decision of a board of directors bears the burden of rebutting the applicability of the presumptions afforded to directors by the business judgment rule. The business judgment rule is a presumption that in making a business decision, directors acted on an informed basis and that the action taken was in the best interests of the company and its shareholders, and accordingly, unless the presumption is rebutted, a board s decision will be upheld unless there can be no rational business purpose for the action or the action constitutes corporate waste. If the presumption is not rebutted, the business judgment rule attaches to protect the directors and their decisions, and their business judgments will not be second guessed. Where, however, the presumption is rebutted, the directors bear the burden

of demonstrating the entire fairness of the relevant transaction.

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Notwithstanding the foregoing, Delaware courts may subject directors conduct to enhanced scrutiny in respect of defensive actions taken in response to a threat to corporate control or the approval of a transaction resulting in a sale of control of the corporation.

Interested Directors

Bermuda law and our bye-laws provide that if a director has an interest in a material transaction or proposed material transaction with us or any of our subsidiaries or has a material interest in any person that is a party to such a transaction, the director must disclose the nature of that interest at the first opportunity either at a meeting of directors or in writing to the directors. Our bye-laws provide that, after a director has made such a declaration of interest, he is allowed to be counted for purposes of determining whether a quorum is present and to vote on a transaction in which he has an interest, unless disqualified from doing so by the chairman of the relevant board meeting.

Under Delaware law, such transaction would not be voidable if (1) the material facts as to such interested director s relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors, (2) such material facts are disclosed or are known to the shareholders entitled to vote on such transaction and the transaction is specifically approved in good faith by vote of the majority of shares entitled to vote thereon or (3) the transaction is fair as to the company as of the time it is authorized, approved or ratified. Under Delaware law, such interested director could be held liable for a transaction in which such director derived an improper personal benefit.

Voting Rights and Quorum Requirements

Under Bermuda law, the voting rights of our shareholders are regulated by our bye-laws and, in certain circumstances, the Companies Act. Under our bye-laws, at any general meeting, two or more persons present in person at the start of the meeting and representing in person or by proxy shareholders holding shares carrying more than 25% of the votes of all shares entitled to vote on the resolution shall constitute a quorum for the transaction of business. Generally, except as otherwise provided in the bye-laws, or the Companies Act, any action or resolution requiring approval of the shareholders may be passed by a simple majority of votes cast except for the election of directors which requires only a plurality of the votes cast.

Any individual who is a shareholder of our company and who is present at a meeting may vote in person, as may any corporate shareholder that is represented by a duly authorized representative at a meeting of shareholders. Our bye-laws also permit attendance at general meetings by proxy, provided the instrument appointing the proxy is in the form specified in the bye-laws or such other form as the board may determine. Under our bye-laws, each holder of common shares is entitled to one vote per common share held.

Under Delaware law, unless otherwise provided in a company s certificate of incorporation, each stockholder is entitled to one vote for each share of stock held by the stockholder. Delaware law provides that unless otherwise provided in a company s certificate of incorporation or bye-laws, a majority of the shares entitled to vote, present in person or represented by proxy, constitutes a quorum at a meeting of stockholders. In matters other than the election of directors, with the exception of special voting requirements related to extraordinary transactions, and unless otherwise provided in a company s certificate of incorporation or bye-laws, the affirmative vote of a majority of shares present in person or represented by proxy at the meeting entitled to vote is required for stockholder action, and the affirmative vote of a plurality of shares is required for the election of directors.

Dividends

Pursuant to Bermuda law, a company is restricted from declaring or paying a dividend if there are reasonable grounds for believing that: (1) the company is, or would after the payment be, unable to pay its liabilities as they become due or (2) that the realizable value of its assets would thereby be less than its liabilities. Under our bye-laws, each common share is entitled to dividends if, as and when dividends are declared by our board of directors, subject to any preferred dividend right of the holders of any preference shares. Issued share capital is the aggregate par value of the company s issued and outstanding common shares.

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Under Delaware law, subject to any restrictions contained in the company s certificate of incorporation, a company may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Delaware law also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Amalgamations, Mergers and Similar Arrangements

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company s board of directors and by its shareholders. Unless the company s bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. Our bye-laws provide that a merger or an amalgamation (other than with a wholly owned subsidiary) that has been approved by the board must only be approved by a majority of the votes cast at a general meeting of the shareholders at which the quorum shall be two or more persons present in person and representing in person or by proxy shareholders holding shares carrying more than 25% of the votes of all shares entitled to vote on the resolution. Any merger or amalgamation not approved by our board must be approved by shareholders holding shares carrying not less than 66% of the votes of all shares entitled to vote on the resolution.

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and is not satisfied that fair value has been offered for such shareholder s shares may, within one month of notice of the shareholders meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the issued and outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

Takeovers

An acquiring party is generally able to acquire compulsorily the common shares of minority holders of a company in the following ways:

By a procedure under the Companies Act known as a scheme of arrangement. A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of common shares, representing in the aggregate a majority in number and at least 75% in value of the common shareholders present and voting at a court ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Bermuda Supreme Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of common shares could be compelled to sell their shares under the terms of the scheme or arrangement.

If the acquiring party is a company by acquiring pursuant to a tender offer 90% of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90% or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require by notice any nontendering shareholder to transfer its shares on the same terms as the original offer. In those circumstances, nontendering shareholders will be compelled to sell their shares unless the Supreme Court of Bermuda (on application made within a one-month period from the date of the offeror s notice of its intention to acquire such shares) orders otherwise.

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Where the acquiring party or parties hold not less than 95% of the shares or a class of shares of the company, by acquiring, pursuant to a notice given to the remaining shareholders or class of shareholders, the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

Delaware law provides that a parent corporation, by resolution of its board of directors and without any shareholder vote, may merge with any subsidiary of which it owns at least 90% of each class of its capital stock. Upon any such merger, dissenting shareholders of the subsidiary would have appraisal rights.

Shareholders Suits

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company s memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company s shareholders than that which actually approved it.

Our bye-laws contain a provision by virtue of which our shareholders waive any claim or right of action that they have, both individually and on our behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer. The operation of this provision as a waiver of the right to sue for violations of federal securities laws may be unenforceable in U.S. courts.

Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court generally has discretion to permit the winning party to recover attorneys fees incurred in connection with such action.

Indemnification of Directors and Officers

Section 98 of the Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Companies Act.

We have adopted provisions in our bye-laws that provide that we shall indemnify our officers and directors in respect of their actions and omissions, except in respect of their fraud or dishonesty. We also have entered into directors service agreements with our directors, pursuant to which we have agreed to indemnify them against any liability brought against them by reason of their service as directors, except in cases where such liability arises from fraud, dishonesty, bad faith, gross negligence, willful default or willful misfeasance. Our bye-laws provide that the shareholders waive all claims or rights of action that they might have, individually or in right of the company, against any of the company s directors or officers for any act or failure to act in the performance of such director s or officer s duties, except in respect of any fraud or dishonesty of such director or officer. Section 98A of the

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Companies Act permits us to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not we may otherwise indemnify such officer or director. We have purchased and maintain a directors and officers liability policy for such a purpose.

Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if (1) such director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (2) with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his conduct was unlawful.

Inspection of Corporate Records

Members of the general public have the right to inspect our public documents available at the office of the Registrar of Companies in Bermuda and our registered office in Bermuda, which will include our memorandum of association (including its objects and powers) and certain alterations to our memorandum of association. Our shareholders have the additional right to inspect our bye-laws, minutes of general meetings and audited financial statements, which must be presented to the annual general meeting of shareholders.

The register of members of a company is also open to inspection by shareholders, and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than 30 days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Delaware law permits any shareholder to inspect or obtain copies of a corporation s shareholder list and its other books and records for any purpose reasonably related to such person s interest as a shareholder.

Shareholder Proposals

Under Bermuda law, shareholders may, as set forth below and at their own expense (unless the company otherwise resolves), require the company to: (1) give notice to all shareholders entitled to receive notice of the annual general meeting of any resolution that the shareholders may properly move at the next annual general meeting; and/or (2) circulate to all shareholders entitled to receive notice of any general meeting a statement in respect of any matter referred to in the proposed resolution or any business to be conducted at such general meeting. The number of shareholders necessary for such a requisition is either: (1) any number of shareholders representing not less than 5% of the total voting rights of all shareholders entitled to vote at the meeting to which the requisition relates; or (2) not less than 100 shareholders.

Delaware law does not include a provision restricting the manner in which nominations for directors may be made by shareholders or the manner in which business may be brought before a meeting although restrictions may be included in a Delaware company s certificate of incorporation or bye-laws.

Calling of Special Shareholders Meetings

Under our bye-laws, a special general meeting may be called by the chairman of the board or the board of directors. Bermuda law also provides that a special general meeting must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote at general meetings.

Delaware law permits the board of directors or any person who is authorized under a corporation s certificate of incorporation or bye-laws to call a special meeting of shareholders.

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Amendment of Organizational Documents

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. Certain amendments to the memorandum of association may require approval of the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion.

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of a company s issued share capital have the right to apply to the Bermuda courts for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company s share capital as provided in the Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company s memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their designees as such holders may appoint in writing for such purpose. No application may be made by the shareholders voting in favor of the amendment.

Under Delaware law, amendment of the certificate of incorporation, which is the equivalent of a memorandum of association, of a company must be made by a resolution of the board of directors setting forth the amendment, declaring its advisability, and either calling a special meeting of the shareholders entitled to vote or directing that the proposed amendment be considered at the next annual meeting of the shareholders. Delaware law requires that, unless a different percentage is provided for in the certificate of incorporation, a majority of the voting power of the corporation is required to approve the amendment of the certificate of incorporation at the shareholders meeting. If the amendment would alter the number of authorized shares or par value or otherwise adversely affect the rights or preference of any class of a company s stock, the holders of the issued and outstanding shares of such affected class, regardless of whether such holders are entitled to vote by the certificate of incorporation, are entitled to vote as a class upon the proposed amendment. However, the number of authorized shares of any class may be increased or decreased, to the extent not falling below the number of shares then issued and outstanding, by the affirmative vote of the holders of a majority of the stock entitled to vote, if so provided in the company s certificate of incorporation that was authorized by the affirmative vote of the holders of a majority of such class or classes of stock.

Amendment of Bye-laws

Our bye-laws provide that the bye-laws may only be rescinded, altered or amended upon approval by a resolution of our board of directors and by a resolution of our shareholders, adopted by the affirmative votes of at least a majority of all shares entitled to vote on the resolution. Our bye-laws provide that, notwithstanding the foregoing, at any time that the Manager holds any of our manager shares, rescission, alteration or amendment of the bye-law relating to our ability to terminate the Manager s appointment under our management agreement also requires the approval of the holder of our manager shares.

Under Delaware law, unless the certificate of incorporation or bye-laws provide for a different vote, holders of a majority of the voting power of a corporation and, if so provided in the certificate of incorporation, the directors of the corporation have the power to adopt, amend and repeal the bye-laws of a corporation. Those bye-laws dealing with the election of directors, classes of directors and the term of office of directors may only be rescinded, altered or amended upon approval by a resolution of the directors and by a resolution of shareholders carrying not less than 66% of all shares entitled to vote on the resolution.

Transfer Agent

Codan Services Limited, Hamilton, Bermuda, acts as the registrar and transfer agent for our common shares.

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DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Receipts

All of our issued and outstanding common shares are held by the depositary, Deutsche Bank Trust Company Americas (the Depositary) in the form of ADSs. The Depositary is a state chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was incorporated as a limited liability bank on March 5, 1903 in the State of New York. The registered office of the Depositary is located at 60 Wall Street, New York, NY 10005 and the registered number is BR1026. The principal executive office of the Depositary is located at 60 Wall Street, New York NY 10005.

Each ADS represents an ownership interest in one common share which we deposit with the custodian under the deposit agreement among ourselves, the Depositary, and ADS holders. Your ADSs are evidenced by what are known as American Depositary Receipts, or ADRs, in the same way a share is evidenced by a share certificate. Your rights as a holder of ADSs is governed by the deposit agreement and our bye-laws.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed with the SEC as an exhibit to our registration statement on Form F-6, as filed with the SEC on September 21, 2007, as may be subsequently amended. You may also obtain a copy of the deposit agreement at the SEC s Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549, United States of America. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. Copies of the deposit agreement and the form of ADR are also available for inspection at the corporate trust office of the Depositary. The Depositary keeps books at its corporate trust office for the registration of ADRs and transfer of ADRs which, at all reasonable times, shall be open for inspection by ADS holders, provided that inspection shall not be for the purposes of communicating with ADS holders in the interest of a business or object other than our business or a matter related to the deposit agreement or the ADSs.

For a description of our bye-laws, see Description of Share Capital.

Holding the ADSs

Unless otherwise agreed among us and the Depositary in accordance with the terms of the deposit agreement, the ADSs are held electronically in book-entry form either directly (by having an ADR registered in your name) or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, you are not treated as one of our shareholders and you do not have shareholder rights. Bermuda law governs shareholder rights. The Depositary is the holder of the common shares underlying your ADSs. As a holder of ADRs, you have ADR holder rights. A deposit agreement among us, the Depositary and you, as an ADR holder, and the beneficial owners of ADRs sets out ADR holder rights, representations and warranties as well as the rights and obligations of the Depositary. New York law governs the deposit agreement and the ADRs.

Fees and Expenses

Except as described below, we pay all fees, charges and expenses of the Depositary and any agent of the Depositary pursuant to agreements from time to time between us and the Depositary, except that if you elect to withdraw the common shares underlying your ADRs from the Depositary you will be required to pay the Depositary a fee of up to US$5.00 per 100 ADSs surrendered or any portion thereof, together with expenses incurred by the Depositary and any taxes or charges, such as stamp taxes or stock transfer taxes or fees, in connection with the withdrawal. We will not receive any portion of the fee payable to the Depositary upon a withdrawal of shares from the Depositary. The Depositary will not make any payments to us, and we will not receive any portion of any fees collected by the Depositary.

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Except as specified above in connection with a cancellation of ADSs and withdrawal of common shares from the Depositary, we are required to pay any taxes and other governmental charges incurred by the Depositary or the custodian on any ADR or common share underlying an ADR, including any applicable interest and penalties thereon, any stock transfer or other taxes and other governmental charges in any applicable jurisdiction.

Dividends and Other Distributions

The Depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on common shares or other deposited securities, less any fees described below under Withholding Taxes, Duties and Other Governmental Charges. You will receive these distributions in proportion to the number of common shares your ADSs represent as of the record date set by the Depositary with respect to the ADSs.

Withholding Taxes, Duties and Other Governmental Charges. Before making a distribution, the Depositary will deduct any withholding taxes, duties or other governmental charges that must be paid. Dividends on our shares are subject to deduction of Irish withholding taxes, unless an exemption to withholding is available. U.S. holders of ADSs (including U.S. citizens or residents) are entitled to claim a refund of Irish withholding taxes on dividends. Unless a U.S. holder of ADSs otherwise specifies, a customary fee of $0.003 per ADS will be deducted from each dividend paid to such holder so that such dividend may be paid gross of Irish withholding taxes.

Shares. The Depositary may distribute additional ADSs representing any common shares we distribute as a dividend or free distribution to the extent permissible by law. If the Depositary does not distribute additional ADRs, the outstanding ADSs will also represent the new common shares.

Elective Distributions in Cash or Shares. If we offer holders of our common shares the option to receive dividends in either cash or common shares, the Depositary will, after consultation with us and to the extent permissible by law and reasonably practicable, offer holders of ADSs the option to receive dividends in either cash or ADSs to the extent permissible under applicable law and in accordance with the deposit agreement.

Rights to Receive Additional Shares. If we offer holders of our common shares any rights to subscribe for additional common shares or any other rights, the Depositary, after consultation with us and to the extent permissible by law and reasonably practicable, will make these rights available to you as a holder of ADSs. If the Depositary makes rights available to you, it will exercise the rights and purchase the common shares on your behalf subject to your payment of applicable fees, taxes, charges and expenses. The Depositary will then deposit the common shares and issue ADSs to you. It will only exercise rights if you pay it the exercise price and any taxes and other governmental charges the rights require you to pay. U.S. securities laws or Bermuda law may restrict the sale, deposit, cancellation, and transfer of the ADSs issued after exercise of rights. Our intent is not to offer holders any rights to subscribe for additional common shares unless the holders of our ADSs would thereby be offered rights to receive ADSs in an offering registered under U.S. securities laws.

Other Distributions. Subject to receipt of timely notice from us with the request to make any such distribution available to you, and provided the Depositary has determined that such distribution is lawful, practicable and feasible and in accordance with the terms of the deposit agreement, the Depositary will send to you anything else we distribute on deposited securities by any means it deems practical in proportion to the number of ADSs held by you, net of any taxes and other governmental charges withheld.

The Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register ADSs, common shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADRs, common shares, rights or anything else to ADR holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

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Deposit and Withdrawal

The Depositary delivers ADSs upon deposit of common shares with the custodian. The custodian holds all deposited common shares, including those being deposited by us in connection with the offering to which this prospectus relates, for the account of the Depositary. You thus have no direct ownership interest in the common shares and only have the rights as are set out in the deposit agreement. The custodian also holds any additional securities, property and cash received on, or in substitution for, the deposited common shares. The deposited common shares and any such additional items are all referred to collectively as deposited securities.

Upon each deposit of common shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, the Depositary issues an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which that person is entitled. Alternatively, at your request, risk and expense, the Depositary in its discretion will deliver certificated ADRs at the Depositary s principal New York office or any other location that it may designate as its transfer office.

You may surrender your ADRs at the Depositary s office or through instruction provided to your broker. Upon payment of its fees and charges of, and expenses incurred by, it and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will deliver the common shares and any other deposited securities underlying the ADR to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the Depositary will deliver the deposited securities at its principal New York office or any other location that it may designate as its transfer office, if feasible.

You have the right to cancel your ADSs and withdraw the underlying common shares at any time subject only to:

- temporary delays caused by closing of our or the Depositary s transfer books, or the deposit of common shares in connection with voting at a shareholders meeting, or the payment of dividends;
- the surrender of ADRs evidencing a number of ADSs representing other than a whole number of common shares;
- the payment of fees, charges, taxes and other governmental charges; or
- where deemed necessary or advisable by the Depositary or us in good faith due to any requirement of any U.S. or foreign laws, government, governmental body or commission, any securities exchange on which the ADSs or common shares are listed or governmental regulations relating to the ADSs or the withdrawal of the underlying common shares.

U.S. securities laws provide that this right of withdrawal may not be limited by any other provision of the deposit agreement. However, we do not intend to list our common shares for trading on any exchange. Therefore, it may be more difficult to dispose of our common shares than it will be to dispose of our ADSs.

Transmission of Notices to Shareholders

We will promptly transmit to the Depositary those communications that we make generally available to our shareholders together with annual and other reports prepared in accordance with applicable requirements of U.S. securities laws. Upon our request and at our expense, subject to the distribution of any such communications being lawful and not in contravention of any regulatory restrictions or requirements if so distributed and made available to holders, the Depositary will arrange for the timely mailing of copies of such communications to all ADS holders and will make a copy of such communications available for inspection at the Depositary s Corporate Trust Office, the office of the custodian or any other designated transfer office of the Depositary.

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Voting Rights

As soon as practicable upon receipt of timely notice of any meeting at which the holders of our shares are entitled to vote, or of solicitation of consents or proxies from holders of our shares, the Depositary will fix a record date in respect of such meeting or solicitation of consent or proxy. The Depositary will, if requested by us in writing in a timely manner, mail by regular, ordinary mail delivery (or by electronic mail or as otherwise may be agreed between us and the Depositary from time to time) or otherwise distribute to holders of ADSs as of the record date: (a) such information as is contained in such notice of meeting (or solicitation of consent or proxy) received by the Depositary from us, (b) a statement that holders as of the record date will be entitled, insofar as practicable and permitted under applicable law, the terms of the deposit agreement, the terms and conditions of our common shares and of our bye-laws (and subject to such other requirements as we shall notify the Depositary), to instruct the Depositary as to the exercise of the voting rights (or deemed exercise of voting rights), if any, pertaining to the amount of our common shares represented by their respective ADSs, and (c) a statement as to the manner in which such instructions may be given or may be deemed to have been given as described below if no validly-completed instructions are received by the Depositary from a holder of ADSs by the ADS voting cut off date set by the Depositary for such purpose. Upon the written request of a holder as of such record date, received on or before the ADS voting cut off date, the Depositary will endeavor, insofar as practicable, to vote or cause to be voted the amount of our common shares represented by the ADSs in accordance with the instructions set forth in such request.

To the extent no such instructions are received by the Depositary on or before the ADS voting cut off date from holders of a sufficient number of shares so as to enable the Company to meet its quorum requirements with respect to any such meeting of shareholders, the Depositary will, upon our written request and at all times subject to applicable law, the terms of the deposit agreement, the terms and conditions of our common shares and our bye-laws, deem such holder to: (A) have instructed the Depositary to take such action as is necessary to cause the number of underlying shares for which no voting instructions have been received from holders of ADSs so as to meet applicable quorum requirements (currently 25% of our common shares) to be counted for the purposes of satisfying applicable quorum requirements; and (B) have given a power of attorney to the Depositary or the custodian, as its nominee, to cause such equal number of common shares so counted under (A) above being counted for the purposes of establishing a quorum, with respect to any resolution proposed by the Board of Directors of the Company within the agenda set for such meeting, to be voted at any such meeting in proportion to the voting instructions duly-received by the Depositary from holders of ADSs as of the record date by the ADS voting cut off date; provided, however that, except to the extent we have provided the Depositary with at least 30 days written notice of any such meeting, the common shares shall not be so counted and shall not be so voted (proportionately to the voting instructions received by the Depositary from holders of ADSs as of the record date by the ADS voting cut off date) with respect to any matter as to which the Depositary informs us that the Depositary reasonably believes that with respect to any such resolution: (i) substantial opposition exists or (ii) it materially affects the rights of holders of common shares. For the purposes of this provision of the deposit agreement, by way of example and not limitation, it is agreed that routine matters, such as appointing auditors and directors (except where a competing director or slate of directors is proposed), and resolutions to approve the public offering or private placement of securities, would not materially affect the rights of holders of common shares.

There can be no assurance that holders generally or any holder in particular will receive the notice described above with sufficient time to enable such holder to return voting instructions to the Depositary by the ADS voting cut off date. In the deposit agreement, we have agreed that we will endeavor to provide at least 30 days prior written notice to the Depositary which will enable the timely notification of holders as to limitations on the ability of the Depositary to vote a particular ADS according to the voting instructions received in regard to such ADS. Common shares which have been withdrawn from the Depositary facility and transferred on our register of members to a person other than the Depositary or its nominee may be voted by the holders thereof in accordance with applicable law and our bye-laws. However, holders or beneficial owners of ADSs may not receive sufficient advance notice of shareholder meetings to enable them to withdraw the common shares and vote at such meetings.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADRs. The Depositary may refuse to issue ADSs, deliver ADRs, register the transfer, split-up or combination of ADRs, or allow you to withdraw the deposited securities underlying your ADSs until

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such payment is made including any applicable interest and penalty thereon. We, the custodian or the Depositary may withhold or deduct the amounts of taxes owed from any distributions to you or may sell deposited securities, by public or private sale, to pay any taxes and any applicable interest and penalties owed. You will remain liable if the proceeds of the sale are not enough to pay the taxes. If the Depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property remaining after it has paid the taxes.

Unless a U.S. holder of ADSs otherwise specifies, a customary fee of $0.003 per ADS will be deducted from each dividend paid to such holder so that such dividend may be paid gross of Irish withholding taxes.

Reclassifications, Recapitalizations and Mergers

If we take actions that affect the deposited securities, including (1) any change in par value, split-up, cancellation, consolidation or other reclassification of deposited securities to the extent permitted by any applicable law, (2) any distribution on the common shares that is not distributed to you and (3) any recapitalization, reorganization, merger, consolidation, liquidation or sale of our assets affecting us or to which we are a party resulting in a distribution of cash or securities to our shareholders, then the cash, common shares or other securities received by the Depositary in connection therewith will become deposited securities and be subject to the deposit agreement and any applicable law, evidence the right to receive such additional deposited securities, and the Depositary may choose to:

distribute additional ADSs;

call for surrender of outstanding ADSs to be exchanged for new ADSs;

distribute cash, securities or other property it has received in connection with such actions;

sell any securities or property received at public or private sale on an averaged or other practicable basis without regard to any distinctions among holders and distribute the net proceeds as cash; or

treat the cash, securities or other property it receives as part of the deposited securities, and each ADS will then represent a proportionate interest in that property.

Amendment and Termination

We may agree with the Depositary to amend the deposit agreement and the ADSs without your consent for any reason deemed necessary or desirable. You will be given at least 30 days notice of any amendment that imposes or increases any fees or charges, except for taxes, governmental charges, delivery expenses or other charges specifically payable by ADS holders under the deposit agreement, or which otherwise materially prejudices any substantial existing right of holders or beneficial owners of ADSs. If an ADS holder continues to hold ADSs after being so notified of these changes, that ADS holder is deemed to agree to that amendment and be bound by the ADRs and the agreement as amended. An amendment can become effective before notice is given if necessary to ensure compliance with a new law, rule or regulation.

At any time we may instruct the Depositary to terminate the deposit agreement, in which case the Depositary will give notice to you at least 30 days prior to termination. The Depositary may also terminate the deposit agreement if it has told us that it would like to resign or we have removed the Depositary and we have not appointed a new Depositary bank within 90 days, in such instances, the Depositary will give notice to you at least 30 days prior to termination. After termination, the Depositary s only responsibility will be to deliver deposited securities to ADS holders who surrender their ADSs upon payment of any fees, charges, taxes or other governmental charges, and to hold or sell distributions received on deposited securities. After the expiration of six months from the termination date, the Depositary may sell the deposited securities which remain and hold the net proceeds of such sales, uninvested and without liability for interest, for the pro rata benefit of ADS holders who have not yet surrendered their ADSs. After selling the deposited securities, the Depositary has no obligations except to account for those net proceeds and other cash. Upon termination of the deposit agreement, we will be discharged from all obligations except for our obligations to the Depositary.

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We intend to maintain a Depositary arrangement for so long as it facilitates U.S. holders in benefiting from an exemption to Irish withholding taxes on dividends on our common shares.

Limitations on Obligations and Liability

The deposit agreement expressly limits our and the Depositary s obligations and liability.

We and the Depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or bad faith;
- are not liable if either of us by law or circumstances beyond our control is prevented from, or delayed in, performing any obligation under the agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or stock exchange of any applicable jurisdiction, any present or future provision of our memorandum of association and bye-laws, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities, any act of God, war or other circumstances beyond each of our control as set forth in the deposit agreement;
- are not liable if either of us exercises or fails to exercise the discretion permitted under the deposit agreement, the provisions of or governing the deposited securities or our memorandum of association and bye-laws;
- are not liable for any action/inaction on the advice or information of legal counsel, accountants, any person presenting common shares for deposit, holders and beneficial owners (or authorized representatives) of ADRs, or any person believed in good faith to be competent to give such advice or information;
- are not liable for the inability of any holder to benefit from any distribution, offering, right or other benefit if made in accordance with the provisions of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to any deposited securities or the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party; and
- shall not incur any liability for any indirect, special, punitive or consequential damages for any breach of the terms of the deposit agreement.

The Depositary and its agents shall not incur any liability under the deposit agreement for the failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities or for any tax consequences that may result from ownership of ADSs, common shares or deposited securities for the creditworthiness of any third party and for any indirect, special, punitive or consequential damage.

We have agreed to indemnify the Depositary under certain circumstances. However, the deposit agreement does not limit our liability under federal securities laws. The Depositary may own and deal in any class of our securities and in the ADSs.

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Requirements for Depositary Actions

Before the Depositary issues, delivers or registers a transfer of an ADS, makes a distribution on an ADS, or permits withdrawal of common shares or other property, the Depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any common shares or other deposited securities;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The Depositary also may suspend the issuance of ADSs, the deposit of common shares, the registration, transfer, split-up or combination of ADSs or the withdrawal of deposited securities, unless the deposit agreement provides otherwise, if the register for ADSs is closed or if we or the Depositary decide any such action is necessary or advisable.

Deutsche Bank Trust Company Americas keeps books for the registration and transfer of ADRs at its offices. You may reasonably inspect such books, except if you have a purpose other than our business or a matter related to the deposit agreement or the ADRs.

Disclosure of Interests

By purchasing ADSs, you agree to comply with our memorandum of association and bye-laws and the laws of Bermuda, the United States of America and any other relevant jurisdiction regarding any disclosure requirements regarding ownership of common shares, all as if the ADSs were, for this purpose, the common shares they represent.

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SELLING SHAREHOLDERS

The selling shareholders may from time to time offer and sell any or all of the ADSs set forth below pursuant to this prospectus. When we refer to selling shareholders in this prospectus, we mean those persons listed in the table below, and the pledges, donees, permitted transferees, assignees, successors and others who later come to hold any of the selling shareholders interests in our ADSs other than through a public sale.

The following table sets forth, as of the date of this prospectus, the names of the selling shareholders for whom we are registering ADSs for resale to the public, and the number of ADSs that such selling shareholders may offer pursuant to this prospectus. The ADSs that may be offered by the selling shareholders were acquired from us on December 28, 2012 in a private placement. We have agreed to file this registration statement to enable resales of the ADSs received by the selling shareholders. We cannot advise you as to whether the selling shareholders will in fact sell any or all of such ADSs.

Affiliates of the selling shareholders collectively own all of the equity interests in BBAM Limited Partnership, a privately-held aircraft leasing and management business that, through its subsidiaries, provides management and administrative services to Fly, including servicing of our aircraft portfolio. For further information about our relationships with the selling shareholders, see our Annual Report on Form 20-F for the year ended December 31, 2012, which is incorporated by reference herein.

Pursuant to the Securities Purchase Agreement entered into by us and the selling shareholders in connection with the original issuance of the ADSs that may be offered pursuant to this prospectus, the selling shareholders are subject to certain restrictions on the transfer of the ADSs that they hold. See Plan of Distribution.

Each selling shareholder who is also an affiliate of a broker-dealer as noted below has represented that: (1) the selling shareholder purchased the ADSs that may be offered pursuant to this prospectus in the ordinary course of business; and (2) at the time of purchase of such ADSs, the selling shareholder had no agreements or understandings, directly or indirectly, with any person to distribute such ADSs.

Name of Selling Shareholder	Number of ADSs Owned Before Sales Pursuant to this Prospectus	Percentage of ADSs Owned Before Sales Pursuant to this Prospectus (1)	Number of ADSs that may be Sold under this Prospectus	Number of ADSs Owned After Sales Pursuant to this Prospectus (2)	Percentage of ADSs Owned After Sales Pursuant to this Prospectus (1)
Summit Aviation Partners LLC(3)	1,438,212	5.1%	438,212	1,000,000	
Onex Corporation and certain affiliates(4)	1,752,848	6.2%	1,752,848		

(1) Applicable percentage of ownership is based on 28,124,536 ADSs outstanding as of March 31, 2013.

(2) Unless otherwise indicated, assumes that each selling shareholder will resell all of the ADSs offered hereunder.

(3) The address for Summit Aviation Partners LLC is 50 California Street, 14th Floor, San Francisco, California 94111. Steven Zissis, Zissis Family Trust and Summit Aviation Partners LLC have shared voting and dispositive power.

(4) Includes the following: (i) 441,860 ADSs directly held by Onex Corporation, (ii) 11,294 ADSs directly held by New PCo Investments Ltd., (iii) 45,770 ADSs directly held by Onex Partners III GP LP, (iv) 3,760 ADSs directly held by Onex US Principals LP, (v) 15,600 ADSs directly held by Onex Partners III PV LP, (vi) 3,957 ADSs directly held by Onex Partners III Select LP and (vii) 1,230,607 ADSs directly held by Onex Partners III LP. Mr. Schwartz, the Chairman, President and Chief Executive Officer of Onex Corporation, owns shares representing a majority of the voting rights of the shares of Onex Corporation, owns all of the common stock of ONCAN Canadian Holdings Ltd. and has indirect voting and investment control of New PCo Investments Ltd., 1597257 Ontario Inc., American Farm Investment Corporation, Onex Partners III GP LP, Onex Partners GP Inc., Onex US Principals LP, Onex Partners III PV LP, Onex Partners III Select LP and Onex Partners III LP. Therefore, Mr. Schwartz may be deemed to beneficially own all of the ADSs directly held by Onex Corporation, New PCo Investments Ltd., Onex Partners III GP LP, Onex US Principals LP, Onex Partners III PV LP, Onex Partners III Select LP and Onex Partners III LP. Mr. Schwartz disclaims such beneficial ownership. USI Securities, Inc., an affiliate of Onex Corporation, is a broker-dealer. The address for each of Onex Corporation, New PCo Investments Ltd., 1597257 Ontario Inc., American Farm Investment Corporation, ONCAN Canadian Holdings Ltd. and Gerald W. Schwartz is 161 Bay Street P.O. Box 700, Toronto, Ontario, Canada M5J 2S1. The address for each of Onex Partners III GP LP, Onex Partners GP Inc., Onex Partners III PV LP, Onex Partners III Select LP and Onex Partners III LP is 712 Fifth Avenue, New York, New York 10019. The address for Onex US

Principals LP is 421 Leader Street, Marion, Ohio 43302.

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PLAN OF DISTRIBUTION

The selling shareholders of the ADSs and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of ADSs on the New York Stock Exchange or any other stock exchange, market or trading facility on which the ADSs are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling shareholders may use any one or more of the following methods when selling ADSs:

- underwriters in a public offering;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the ADSs as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling shareholders to sell a specified number of such ADSs at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling shareholders may also transfer their ADSs by means of gifts, donations and contributions. Subject to certain limitations under rules promulgated under the Securities Act, this prospectus may be used by the recipients of such gifts, donations and contributions to offer and sell the ADSs received by them, directly or through brokers-dealers or agents and in private or public transactions.

The selling shareholders may sell their shares at market prices prevailing at the time of sale, at negotiated prices, at fixed prices or without consideration by any legally available means. The aggregate net proceeds to the selling shareholders from the sale of their ADSs will be the purchase price of such ADSs less any discounts, concessions or commissions received by underwriters, broker-dealers or agents. We will not receive any proceeds from the sale of any ADSs by the selling shareholders.

The selling shareholders and any underwriters, broker-dealers or agents who participate in the distribution of their ADSs may be deemed to be underwriters within the meaning of the Securities Act. Any commission received by such underwriters, broker-dealers or agents on the sales and any profit on the resale of ADS purchased by underwriters, broker-dealers or agents may be deemed to be underwriting commissions or

discounts under the Securities Act. As a result, we have informed the selling shareholders that Regulation M, promulgated under the Exchange Act, may apply to sales by the selling shareholders in the market. The selling shareholders may agree to indemnify any underwriter, broker-dealer or agent that participates in transactions involving the sale of their ADSs against certain liabilities, including liabilities arising under the Securities Act.

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To the extent required with respect to a particular offer or sale of ADSs by a selling shareholder, we will file a prospectus supplement pursuant to Section 424(b) of the Securities Act, which will accompany this prospectus, to disclose:

- the number of ADSs to be sold;
- the purchase price;
- the name of any underwriter, broker-dealer or agent effecting the sale or transfer and the amount of any applicable discounts,
- commissions or similar selling expenses; and
- any other relevant information.

The selling shareholders may enter into sale, forward sale and derivative transactions with third parties, or may sell ADSs not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those sale, forward sale or derivative transactions, the third parties may sell ADSs covered by this prospectus and the applicable prospectus supplement, including in short sale transactions and by issuing securities that are not covered by this prospectus but are exchangeable for or represent beneficial interests in the ADSs. The third parties also may use ADSs received under those sale, forward sale or derivative arrangements or ADSs pledged by the selling shareholders or borrowed from the selling shareholders or others to settle such third-party sales or to close out any related open borrowings of ADSs. The third parties may deliver this prospectus in connection with any such transactions. Any third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement (or a post-effective amendment to the registration statement of which this prospectus is a part).

In addition, the selling shareholders may engage in hedging transactions with broker-dealers in connection with distributions of ADSs or otherwise. In those transactions, broker-dealers may engage in short sales of ADSs in the course of hedging the positions they assume with selling shareholders. The selling shareholders also may sell ADSs short and redeliver ADSs to close out such short positions. The selling shareholders also may enter into option or other transactions with broker-dealers which require the delivery of ADSs to the broker-dealer. The broker-dealer may then resell or otherwise transfer such ADSs pursuant to this prospectus. The selling shareholders also may loan or pledge ADSs, and the borrower or pledgee may sell or otherwise transfer the ADSs so loaned or pledged pursuant to this prospectus. Such borrower or pledgee also may transfer those ADSs to investors in our securities or the selling shareholder s securities or in connection with the offering of other securities not covered by this prospectus.

Subject to the restrictions set forth in the securities purchase agreement among us and the selling shareholders as described below, the selling shareholders are acting independently of us in making decisions with respect to the timing, price, manner and size of each sale. We have not engaged any underwriter, broker-dealer or agent in connection with the sale of ADSs held by the selling shareholders, and there is no assurance that the selling shareholders will sell any or all of their ADSs. We have agreed to make available to the selling shareholders copies of this prospectus and any applicable prospectus supplement and have informed the selling shareholders of the need to deliver copies of this prospectus and any applicable prospectus supplement to purchasers prior to any sale to them.

We have agreed to pay all expenses in connection with the registration of the common shares and ADSs offered hereby, except that the selling shareholders shall be responsible for any underwriting discounts or commissions attributable to the sale of the ADSs and shall also be responsible for the fees and expenses of their own counsel, accountants and other advisors.

The selling shareholders may also sell all or a portion of their ADSs in open market transactions under Section 4(1) of the Securities Act including transactions in accordance with Rule 144 promulgated thereunder, if available, rather than under the shelf registration statement, of which this prospectus forms a part.

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In connection with the original issuance to the selling shareholders of the ADSs that may be offered pursuant to this prospectus, each of the selling shareholders agreed, in the securities purchase agreement that it entered into in connection with such issuance, not to sell or otherwise transfer any of the ADSs that it holds without our prior written consent, except that such consent will not be required for the following transfers:

- from and after such time that certain affiliates of Onex Corporation (the Onex BBAM Equityholders) transfer any equity interests that they hold in BBAM Limited Partnership to one or more unaffiliated third parties:
  - Summit Aviation Partners LLC will be entitled to transfer a number of ADSs, in the aggregate, equal to (i) 1,438,212 multiplied by (ii) the percentage of outstanding equity interests in BBAM Limited Partnership that have been transferred by the Onex BBAM Equityholders (the Onex Sell-Down Percentage); and
  - Onex Corporation and its affiliated selling shareholders will be entitled to transfer a number of ADSs, in the aggregate, equal to (i) 1,752,848 multiplied by (ii) the Onex Sell-Down Percentage; and
- each selling shareholder may transfer ADSs to one or more of its affiliates at any time.

As of the date of this prospectus, we have not granted our consent to the transfer of any ADSs by any of the selling shareholders, and none of the Onex BBAM Equityholders have transferred any of such equity interests to unaffiliated third parties. Consequently, as of the date of this prospectus, under our securities purchase agreement with the selling shareholders, none of the selling shareholders have the right to sell or otherwise transfer any ADSs to unaffiliated third parties, pursuant to this prospectus or otherwise. However, the selling shareholders may obtain such a right in the future, either by us granting our consent to a transfer of ADSs or as a result of a transfer of equity interests of BBAM Limited Partnership by the Onex BBAM Equityholders to unaffiliated third parties.

In connection with the original issuance to the selling shareholders of the ADSs being offered pursuant to this prospectus, we entered into a registration rights agreement with the selling shareholders pursuant to which we granted certain registration rights to the selling shareholders. We are filing the registration statement of which this prospectus forms a part in accordance with our obligations under the registration rights agreement. Under the registration rights agreement, we are obligated to use reasonable best efforts to keep the registration statement of which this prospectus forms a part effective until such time that the ADSs being offered hereunder (i) have been disposed of pursuant to the registration statement of which this prospectus forms a part, (ii) have been sold to the public pursuant to Rule 144 under the Securities Act or (iii) have ceased to be outstanding.

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TAXATION CONSIDERATIONS

U.S. Federal Income Tax Considerations

The following is a general discussion of the U.S. federal income taxation of us and of certain U.S. federal income tax consequences of acquiring, holding or disposing of the shares by U.S. Holders (as defined below) and information reporting and backup withholding rules applicable to both U.S. and Non-U.S. Holders (as defined below). It is based upon the U.S. Internal Revenue Code of 1986, as amended (the Code), issued and proposed income tax regulations (Treasury Regulations) promulgated thereunder, legislative history, and judicial and administrative interpretations thereof, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). In addition, the application and interpretation of certain aspects of the passive foreign investment company (PFIC) rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service (IRS) or the courts. This summary does not address any aspect of U.S. federal non-income tax laws, such as U.S. federal estate and gift tax laws, and does not purport to address all of the U.S. federal income tax consequences applicable to us or to all categories of investors, some of whom may be subject to special rules including, without limitation, dealers in securities, commodities, or foreign currencies, financial institutions or financial services entities, insurance companies, holders of shares held as part of a straddle, hedge, constructive sale, conversion transaction, or other integrated transactio for U.S. federal income tax purposes, U.S. persons whose functional currency is not the U.S. dollar, persons who have elected mark-to-market accounting, persons who have not acquired their shares upon their original issuance, or in exchange for consideration other than cash, persons who hold their shares through a partnership or other entity which is a pass-through entity for U.S. federal income tax purposes, or persons for whom a share is not a capital asset, and persons holding, directly indirectly or constructively, 5% or more of our ADSs or underlying shares. The tax consequences of an investment in our shares will depend not only on the nature of our operations and the then-applicable U.S. federal tax principles, but also on certain factual determinations that cannot be made at this time, and upon a particular investor s individual circumstances. No rulings have been or will be sought from the IRS regarding any matter discussed herein.

For purposes of this discussion, a U.S. Holder is (1) a citizen or resident of the United States; (2) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any political subdivision thereof; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust which (a) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A Non-U.S. Holder is a beneficial owner of our shares that is not a U.S. Holder and who, in addition, is not (1) a partnership or other fiscally transparent entity; (2) an individual present in the United States for 183 days or more in a taxable year who meets certain other conditions; or (3) subject to rules applicable to certain expatriates or former long-term residents of the United States. This summary does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a decision to purchase the shares. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States. For U.S. tax purposes holders of our ADSs are treated as if they hold the underlying common shares represented by the ADSs.

Taxation of U.S. Holders of Shares

We expect that we will be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and future taxable years and that U.S. Holders of shares will be subject to the PFIC rules, as summarized below. However, no assurance can be given that we will or will not be considered a PFIC in the current or future years. The determination whether or not we are a PFIC is a factual determination that is made annually based on the types of income we earn and the value of our assets, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that we are or are not a PFIC or that the IRS will agree with our conclusion regarding our PFIC status. If we are currently or were to become a PFIC, U.S. Holders of shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

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Tax Consequences of PFIC Status. The Code provides special rules regarding certain distributions received by U.S. persons with respect to, and sales, exchanges and other dispositions, including pledges, of, shares of stock in a PFIC. We will be treated as a PFIC if (i) 75% or more of our gross income is passive income or (ii) at least 50% of our assets are held for the production of, or produce, passive income in a taxable year, based on a quarterly average and generally by value, including our pro rata share of the gross income or assets of any company, U.S. or foreign, in which we are considered to own directly or indirectly 25% or more of the shares by value. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. Assuming we are a PFIC, our dividends will not qualify for the reduced rate of U.S. federal income tax that applies to qualified dividends paid to non-corporate U.S. Holders. Thus, dividends (as determined for U.S. federal income tax purposes) will be taxed at the rate applicable to ordinary income of the U.S. Holder.

Assuming we are a PFIC, U.S. Holders of our shares will be subject to different taxation rules with respect to an investment in our shares depending on whether they elect to treat us as a qualified electing fund, or a QEF, with respect to their investment in our shares. If a U.S. Holder makes a QEF election in the first taxable year in which the U.S. Holder owns our shares (and if we comply with certain reporting requirements, which we have done and intend to do), then such U.S. Holder will be required for each taxable year to include in income a pro rata share of our ordinary earnings as ordinary income and a pro rata share of our net capital gain as long-term capital gain, subject to a separate voluntary election to defer payment of taxes, which deferral is subject to an interest charge. If a QEF election is made, U.S. Holders will not be taxed again on our distributions, which will be treated as return of capital for U.S. federal income tax purposes. Instead, distributions will reduce the U.S. Holder s basis in our shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of a capital asset.

U.S. Holders may, instead of making a QEF election, make a mark-to-market election, recognizing as ordinary income or loss each year an amount equal to the difference, as of the close of the taxable year, between the fair market value of the shares and the U.S. Holder s adjusted tax basis in the shares. Losses would be allowed only to the extent of net mark-to-market gain previously included by the U.S. Holder under the election for prior taxable years. If the mark-to-market election were made, then the rules set forth below would not apply for periods covered by the election. The U.S. Holder s basis in the shares will be adjusted to reflect the amounts included or deducted pursuant to the election. A mark-to-market election is only available if our shares meet trading volume requirements on qualifying exchange.

Because we are a PFIC, if a U.S. Holder does not make a QEF election or mark-to-market election, then the following special rules will apply:

Excess distributions by us to a U.S. Holder would be taxed in a special way. Excess distributions are amounts received by a U.S. Holder with respect to our shares in any taxable year that exceed 125% of the average distributions received by such U.S. Holder from us in the shorter of either the three previous years or such U.S. Holder s holding period for shares before the present taxable year. Excess distributions must be allocated ratably to each day that a U.S. Holder has held our shares. A U.S. Holder must include amounts allocated to the current taxable year in its gross income as ordinary income for that year. A U.S. Holder must pay tax on amounts allocated to each prior taxable year in which we were a PFIC at the highest rate in effect for that year on ordinary income and the tax is subject to an interest charge at the rate applicable to deficiencies for income tax. The preferential U.S. federal income tax rates for dividends and long-term capital gain of individual U.S. Holders (as well as certain trusts and estates) would not apply, and special rates would apply for calculating the amount of the foreign tax credit with respect to excess distributions.

The entire amount of gain realized by a U.S. Holder upon the sale or other disposition of shares will also be treated as an excess distribution and will be subject to tax as described above.

The tax basis in shares that were acquired from a decedent who was a U.S. Holder would not receive a step-up to fair market value as of the date of the decedent s death but would instead be equal to the decedent s basis, if lower than fair market value.

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If a corporation is a PFIC for any taxable year during which a U.S. Holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the U.S. Holder s shares, even if the corporation no longer satisfies either the passive income or passive assets test described above, unless the U.S. Holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the excess distribution rules as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS Form 8621 to a timely filed U.S. federal income tax return or, if not required to file an income tax return, by filing such form with the IRS. Even if a QEF election is not made, a shareholder in a PFIC who is a U.S. Holder must file a completed IRS Form 8621 every year. We have provided and intend to continue to provide U.S. Holders with all necessary information to enable them to make QEF elections as described above. If any subsidiary is not subject to an election to be treated as a disregarded entity or partnership for U.S. tax purposes then a QEF election would have to be made for each such subsidiary.

You should consult your tax advisor about the PFIC rules , including the advisability of making a QEF election or mark-to-market election.

In addition, a U.S. Holder that is an individual (and, to the extent provided in future regulations, an entity), may be subject to recently-enacted reporting obligations with respect to shares and if the aggregate value of these and certain other specified foreign financial assets exceeds $50,000. If required, this disclosure is made by filing Form 8938 with the IRS. Significant penalties can apply if holders are required to make this disclosure and fail to do so. In addition, a U.S. Holder should consider the possible obligation to file a Form TD F 90-22.1 Foreign Bank and Financial Accounts Report as a result of holding shares. Holders are thus encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of shares.

Taxation of the Disposition of Shares. A U.S. Holder that has made a QEF election for the first year of its holding period will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder s basis in the shares, which is usually the cost of such shares (as adjusted to take into account any QEF inclusion, which increases the basis of such shares, and any distribution, which decreases the basis of such shares) and the amount realized on a sale or other taxable disposition of the shares. If, as anticipated, the shares are publicly traded, a disposition of shares will be considered to occur on the trade date, regardless of the U.S. Holder s method of accounting. If a QEF election has been made, capital gain from the sale, exchange or other disposition of shares held more than one year is long-term capital gain and is eligible for a maximum 15% rate of taxation for non-corporate U.S. Holders.

Medicare Tax

Legislation enacted in 2010 requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% Medicare surtax on all or part of that U.S. Holder s net investment income , which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the shares, subject to certain limitations and exceptions. This surtax applies to taxable years beginning after December 31, 2012. Prospective investors should consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Equity Shares.

Information Reporting and Backup Withholding for U.S. Holders

Dividend payments made within the United States with respect to the shares, and proceeds from the sale, exchange or redemption of shares, may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. Generally, a U.S. Holder will provide such certification on IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

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Amounts withheld under the backup withholding rules may be credited against a U.S. Holder s tax liability, and a U.S. Holder may obtain a refund of any excess amount withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS.

Information Reporting and Backup Withholding for Non-U. S. Holders

Information reporting to the United States and backup withholding to the IRS generally would not be required for dividends paid on our shares or proceeds received upon the sale, exchange or redemption of our shares to Non-U.S. Holders who hold or sell our shares through the non-U.S. office of a non-U.S. related broker or financial institution. Information reporting and backup withholding may apply if shares are held by a Non-U.S. Holder through a U.S., or U.S.-related, broker or financial institution, or the U.S. office of a non-U.S. broker or financial institution and the Non-U.S. Holder fails to establish an exemption from information reporting and backup withholding by certifying such holder s status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

The IRS may make information reported to you and the IRS available under the provisions of an applicable income tax treaty to the tax authorities in the country in which you reside. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, if any, provided the required information is timely furnished by you to the IRS. You should consult your own tax advisors regarding the filing of a U.S. tax return for claiming a refund of any such backup withholding. Non-U.S. Holders should consult their tax advisors regarding the application of these rules.

Taxation of Fly and Our Subsidiaries

Although Fly s income is primarily subject to corporate tax in Ireland, part of our income is also subject to taxation in the United States, France and Australia.

Unless otherwise exempted by an applicable income tax treaty, a non-U.S. corporation that is directly or through agents engaged in a trade or business in the United States is generally subject to U.S. federal income taxation, at the graduated tax rates applicable to U.S. corporations, on the portion of such non-U.S. corporation s income that is effectively connected with such trade or business. In addition, such a non-U.S. corporation may be subject to the U.S. federal branch profits tax on the portion of its effectively connected earnings and profits constituting dividend equivalent amounts at a rate of 30%, or at such lower rate as may be specified by an applicable income tax treaty. In addition non-U.S. corporations that earn certain U.S. source income not connected with a U.S. trade or business can be subject to a 30% withholding tax on such gross income unless they are entitled to a reduction or elimination of such tax by an applicable treaty. Furthermore, even if a non-U.S. corporation is not engaged in a U.S. trade of business, certain U.S. source gross transportation income (which includes rental income from aircraft that fly to and from the United States) is subject to a 4% gross transportation tax in the United States unless a statutory or treaty exemption applies.

We expect that we and our Irish tax resident subsidiaries will be entitled to claim the benefits of the Irish Treaty. Accordingly, even if we earn income that otherwise would be subject to tax in the United States, such income is expected to be exempt from U.S. tax under the Irish Treaty to the extent that it is: (1) rental income attributable to aircraft used in international traffic; (2) gain from the sale of aircraft used in international traffic; or (3) U.S. source business profits (which includes rental income from, and gains attributable to, aircraft operated in U.S. domestic service) not connected with a U.S. permanent establishment. For this purpose, international traffic means transportation except where flights are solely between places within the United States. We also expect that we will not be treated as having a U.S. permanent establishment. Thus we do not believe that we will be subject to taxation in the United States on any of our aircraft rental income or gains from the sale of aircraft.

We had a 15% investment in BBAM LP, a Cayman Islands exempted limited partnership which wholly owned subsidiaries in the United States, Ireland, Bermuda, U.K., Singapore, Japan, Switzerland and the Cayman Islands. The U.S. subsidiaries were classified as disregarded entities and not were subject to entity level taxes for U.S. tax purposes. We received an allocated share of income, deductions and credits from BBAM LP and our share of the U.S. effectively connected income was subject to U.S. federal taxes and, as applicable, state and local taxes.

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In 2011, we made a 57.41% investment in Fly-Z/C Aircraft Holdings LP, a US partnership incorporated in Delaware. The partnership wholly owns an Irish company, Fly-Z/C Aircraft Limited. Fly-Z/C Aircraft Holdings LP and Fly-Z/C Aircraft Limited are not expected to have a deemed U.S. trade or business subject to tax on effectively connected income or a U.S. permanent establishment subject to tax on business profits under Article 7. Fly-Z/C Aircraft Limited is expected to be a qualified resident under the U.S. and Ireland tax treaty.

Effectively connected taxable income means the taxable income of the partnership which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States.

No assurances can be given, however, that we will continue to qualify each year for the benefits of the Irish Treaty or that we will not in the future be treated as maintaining a permanent establishment in the United States or having income that is effectively connected with the conduct of a trade or business in the United States. In order for us and our subsidiaries to be eligible for the benefits of the Irish Treaty for a particular fiscal year, we must each satisfy the requirements of Article 23 (Limitation on Benefits) of the Irish Treaty for that fiscal year. We will be eligible for the benefits of the Irish Treaty if the principal class of our shares is substantially and regularly traded on one or more recognized stock exchanges. Our shares will be considered substantially and regularly traded on one or more recognized stock exchanges in a fiscal year if: (1) trades in such shares are effected on such stock exchanges in more than de minimis quantities during every quarter; and (2) the aggregate number of shares traded on such stock exchanges during the previous fiscal year is at least 6% of the average number of shares outstanding during that taxable year. We satisfied this requirement for each of the years since our inception. If our shares cease to be treated as regularly traded, then we may no longer be eligible for the benefits of the Irish Treaty. Our subsidiaries that are Irish tax-resident will be eligible for benefits under the Irish Treaty if we hold, directly or indirectly, 50% or more of the vote and value of the subsidiary and we meet the regularly traded test described above.

If we or any subsidiary were not entitled to the benefits of the Irish Treaty, any income that we or that subsidiary earns that is treated as effectively connected with a trade or business in the United States, either directly or through agents, would be subject to tax in the United States at a rate of 35%. In addition, we or that subsidiary would be subject to the U.S. federal branch profits tax at a rate of 30% on its effectively connected earnings and profits, considered distributed from the U.S. business. In addition, if we did not qualify for Irish Treaty benefits, certain U.S. source rental income not connected with a U.S. trade or business could be subject to withholding tax of 30% and certain U.S. source gross transportation income could be subject to a 4% gross transportation tax if an exemption did not apply.

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LEGAL MATTERS

The validity of the common shares and certain other legal matters with respect to the laws of Bermuda will be passed upon for us by Conyers Dill & Pearman Limited, Hamilton, Bermuda. Certain matters of U.S. federal and New York law relating to this offering will be passed upon for us by Jones Day, New York, New York.

EXPERTS

The consolidated financial statements of Fly Leasing Limited incorporated herein by reference in Fly Leasing Limited s Annual Report on Form 20-F for the year ended December 31, 2012 (including schedules appearing therein) and the effectiveness of Fly Leasing Limited s internal control over financial reporting have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of said firm as experts in auditing and accounting.

MATERIAL CHANGES

Except as otherwise described in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated herein by reference, no reportable material changes have occurred since December 31, 2012.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of Bermuda and are managed and controlled in Ireland. Our business is based outside the United States, a majority of our directors and officers reside outside the United States, and a majority of our assets and some or all of the assets of such persons may be located in jurisdictions outside the United States. Although we have appointed Puglisi & Associates, 850 Library Ave., Suite 204, Newark, Delaware 19711 as our agent to receive service of process with respect to any actions against us arising out of violations of the U.S. federal securities laws in any federal or state court in the United States relating to the transactions covered by this prospectus, it may be difficult for investors to effect service of process within the United States on our directors and officers who reside outside the United States or to enforce against us or our directors and officers judgments of U.S. courts predicated upon civil liability provisions of the U.S. federal securities laws.

There is no treaty in-force between the United States and Bermuda or Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As a result, whether a U.S. judgment would be enforceable in Bermuda or Ireland against us or our directors and officers depends on whether the U.S. court that entered the judgment is recognized by a Bermuda or Irish court as having jurisdiction over us or our directors and officers, as determined by reference to Bermuda or Irish conflict of law rules. The courts of Bermuda or Ireland would recognize as a valid judgment, a final and conclusive judgment in personam obtained in a U.S. court pursuant to which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty). The courts of Bermuda or Ireland would give a judgment based on such a U.S. judgment as long as (1) the U.S. court had proper jurisdiction over the parties subject to the judgment; (2) the U.S. court did not contravene the rules of natural justice of Bermuda or Ireland; (3) the U.S. judgment was not obtained by fraud; (4) the enforcement of the U.S. judgment would not be contrary to the public policy of Bermuda or Ireland; (5) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda or Ireland; (6) there is due compliance with the correct procedures under the laws of Bermuda or Ireland; and (7) the U.S. judgment is not inconsistent with any judgment of the courts of Bermuda or Ireland in respect of the same matter.

In addition to and irrespective of jurisdictional issues, neither Bermuda nor Irish courts will enforce a provision of the U.S. federal securities law that is either penal in nature or contrary to public policy. It is the advice of our counsel that an action brought pursuant to a public or penal law, the purpose of which is the enforcement of a sanction, power or right at the instance of the state in its sovereign capacity, is unlikely to be entertained by Bermuda or Irish courts. Specified remedies available under the laws of U.S. jurisdictions, including specified

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remedies under U.S. federal securities laws, may not be available under Bermuda or Irish law or enforceable in a Bermuda or Irish court, as they are likely to be contrary to Bermuda or Irish public policy. Further, no claim may be brought in Bermuda or Ireland against us or our directors and officers in the first instance for a violation of U.S. federal securities laws because these laws have no extraterritorial application under Bermuda or Irish law and do not have force of law in Bermuda or Ireland.

WHERE YOU CAN FIND MORE INFORMATION

The documents incorporated by reference into this prospectus are available from us upon request. We will provide a copy of any and all of the information that is incorporated by reference in this prospectus, without charge, upon written or oral request. If you would like to obtain this information from us, please direct your request, either in writing or by telephone, to:

Investor Relations

Fly Leasing Limited

West Pier

Dun Laoghaire, County Dublin

Ireland

+353-1-231-1900

We are subject to the information and periodic reporting requirements of the Exchange Act applicable to foreign private issuers and will fulfill the obligations with respect to those requirements by filing reports with the SEC. These periodic reports and other information may be inspected and copied at the SEC s Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Room of the SEC, 100 F. Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding the Company and other issuers that file electronically with the SEC. The address of the SEC internet site is www.sec.gov. This information is also available on our website at www.flyleasing.com.

As a foreign private issuer, we will be exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act relating to their purchases and sales of common shares. In addition, we will not be required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we intend to file with the SEC, within 90 days after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent public accounting firm. We also intend to furnish quarterly reports on Form 6-K containing unaudited interim financial information for each of the first three quarters of each fiscal year.

We have filed a registration statement on Form F-3 under the Securities Act with the SEC with respect to the ADSs to be sold hereunder. This prospectus has been filed as part of that registration statement. This prospectus does not contain all of the information set forth in the registration statement because certain parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. The registration statement is available for inspection and copying as set forth above.

INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus, and any accompanying prospectus supplement, the information we have filed with the SEC. This means that we can disclose important information by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC prior to the termination of this offering will also be deemed to be incorporated by reference into this prospectus and to be a part hereof from the date of filing of such documents and will automatically update and supersede previously filed information, including information contained in this document.

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We incorporate by reference into this prospectus and any accompanying prospectus supplement the following documents that we have filed with the SEC:

- Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed with the SEC on March 15, 2013, as amended by Form 20-F/A, filed with the SEC on April 8, 2013; and

- Registration Statement on Form 8-A, filed with the SEC on September 25, 2007.

Copies of these filings are available free of charge by writing to Fly Leasing Limited, West Pier, Dun Laoghaire, County Dublin, Ireland, Attention: Investor Relations, or by telephoning us at +353-1-231-1900.

We are also incorporating by reference all subsequent annual reports on Form 20-F that we file with the SEC and certain reports on Form 6-K that we furnish to the SEC between the date that we initially file the registration statement to which this prospectus relates and the termination of the offering of the securities (if they state that they are incorporated by reference into this prospectus). In all cases, you should rely on the later information over different information included in this prospectus.

Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual document. You may obtain a copy of any document summarized in this prospectus at no cost by writing to or telephoning us at the address and telephone number given above. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

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EXPENSES

The following are the estimated expenses of the offering of the securities being registered under the registration statement of which this prospectus forms a part, all of which will be paid by us.

SEC registration fee	$ 4,366
Blue sky fees and expenses	
Transfer agent fees	
Printing and engraving costs	5,000
Legal fees and expenses	10,000
Accounting fees and expenses	10,000
Miscellaneous	
Total	$ 29,366

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Fly Leasing Limited

2,191,060 American Depositary Shares

Representing 2,191,060 Common Shares

PROSPECTUS

, 2013

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PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 8. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The bye-laws of Fly Leasing Limited (the Registrant) contain a broad waiver by its shareholders of any claim or right of action, both individually and on its behalf, against any of its officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. The waiver limits the right of shareholders to assert claims against the Registrant s officers and directors unless the act or failure to act involves fraud or dishonesty. The Registrant s bye-laws also provide that the Registrant will indemnify its officers and directors in respect of their actions and omissions, except in respect of their fraud or dishonesty. The indemnification provided in the bye-laws is not exclusive of other indemnification rights to which a director or officer may be entitled, provided these rights do not extend to his or her fraud or dishonesty. The Registrant also has entered into directors service agreements with its directors, pursuant to which the Registrant has agreed to indemnify them against any liability brought against them by reason of their service as directors, except in cases where such liability arises from fraud, dishonesty, bad faith, gross negligence, willful default or willful misfeasance.

Section 98 of the Companies Act 1981 of Bermuda (the Companies Act) provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to Section 281 of the Companies Act.

The Registrant maintains standard policies of insurance under which coverage is provided (1) to its directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act, and (2) to the registrant with respect to payments which may be made by the registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

ITEM 9. EXHIBITS.

The following exhibits are filed herewith or incorporated by reference herein:

4.1	Memorandum of Association.*
4.2	Amended and Restated Bye-Laws.**
4.3	Form of Common Share Certificate.*
4.4	Deposit Agreement between Deutsche Bank Trust Company Americas and Babcock & Brown Air Limited (including form of American Depositary Receipt).*
4.5	Registration Rights Agreement, dated December 28, 2012, among Fly Leasing Limited, Summit Aviation Partners LLC, Onex Corporation, Onex Partners III GP LP, Onex US Principals LP, Onex Partners III PV LP, Onex Partners III Select LP, Onex Partners III LP and New PCo Investments Ltd.***
4.6	Securities Purchase Agreement, dated November 30, 2012, by and among Fly Leasing Limited, Summit Aviation Partners LLC and such persons identified therein.***
5.1	Opinion of Conyers Dill & Pearman Limited.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Conyers Dill & Pearman Limited (included in Exhibit 5.1).
24.1	Power of Attorney of certain directors and officers of the Registrant.****

* Previously filed with the Registration Statement on Form F-1, File No. 333-145994.
** Previously filed as an exhibit on Form 6-K dated June 30, 2010.

*** Previously filed as an exhibit to the Annual Report on Form 20-F for the fiscal year ended December 31, 2012.
**** Previously filed.

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ITEM 10. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the Securities Act);

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission (the Commission), pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20-percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

Provided, however, that:

Paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the registration statement is on Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Securities Act need not be furnished, *provided* that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Securities Act or Rule 3-19 of Regulation S-K if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Exchange Act that are incorporated by reference in the Form F-3.

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(5) That, for the purpose of determining liability under the Securities Act of 1933, as amended, to any purchaser:

(i) If the registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of this Registration Statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424 b)(2), or (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. *Provided*, *however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for purposes of determining any liability under the Securities Act, each filing of the Registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(7) That, for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

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(8) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Dublin, Ireland, on April 11, 2013.

FLY LEASING LIMITED

By: /s/ Colm Barrington
Name: Colm Barrington
Title: Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the registration statement has been signed by the following persons in the capacities indicated on April 11, 2013.

/s/ Colm Barrington Colm Barrington	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Gary Dales Gary Dales	Chief Financial Officer (Principal Financial and Accounting Officer)
* Joseph M. Donovan	Chairman and Director
* Erik G. Braathen	Director
* Sean Donlon	Director
* James Fantaci	Director
* Robert S. Tomczak	Director
* Susan M. Walton	Director
* Steven Zissis	Director
/s/ Donald Puglisi Donald Puglisi	Authorized Representative in the United States

*By /s/ Colm Barrington
Attorney-in-fact

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EXHIBIT INDEX

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23.1	Consent of Ernst & Young LLP.
23.2	Consent of Conyers Dill & Pearman Limited (included in Exhibit 5.1).
24.1	Power of Attorney of certain directors and officers of the Registrant.****

* Previously filed with the Registration Statement on Form F-1, File No. 333-145994.
** Previously filed as an exhibit on Form 6-K dated June 30, 2010.
*** Previously filed as an exhibit to the Annual Report on Form 20-F for the fiscal year ended December 31, 2012.
**** Previously filed.

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8

12

13

54

28

11

44

Meters Drilled

	798.20
	531.25
	1,185.45
	1,397.65
	1,592.40
	9,105.95
	4,975.95
	1,534.95
	13,804.90
Total meters drilled	**34,926.70**

Table 4: 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
	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
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

The San Miguel Project drill hole database contains the results of 176 diamond drill holes.

San Miguel Project Diamond Drill-Hole Database - Summary

Item	Value
Number of Drill HolesX	176
Total Length (m)	34,926.7
Average Drill Hole Length (m)	197.45
Maximum Drill Hole Length (m)	451.2
Minimum Drill Hole Length (m)	44.7 [excluding SA-16A (12.2m)]
Maximum Drill Hole Inclination	-90
Minimum Drill Hole Inclination	-45
Average Drill Hole Inclination	-58
Holes With Down-Hole Surveys	158
Meters Sampled & Assayed	28,461.7
Drill-Hole Assays	28,820
Average Sample Length (m)	1.00
Maximum Sample Length (m)	4.20
Minimum Sample Length (m)	0.10

REVERSE CIRCULATION DRILL PROGRAM

We began a reverse circulation drill to the Project in mid- February 2008. Holes are drilled using a 4.75-inch conventional down hole hammer and a crossover interchange allowing the sampled material to enter the center of the dual wall drill pipe immediately above the hammer. The RC holes are drilled dry; if groundwater is encountered and the sample entering the cyclone becomes wet, the hole is terminated. Holes are sampled in their entirety at 1-meter intervals. The entire sample interval is split at the drill site with a Gilson splitter into two samples. One sample is sent for assay and the other is archived at a fenced compound which we operate.

Representative RC drill chips from each sample interval are collected in chip trays and stored at our office for geologic logging and archiving. The RC drill chips are logged for rock type, alteration, weathering, quartz percent, and metallic minerals to aid in geological interpretation. RC exploratory drilling has only recently been initiated at the San Miguel project and assay results are pending for the few holes that have been drilled.

COMPETITION:

The mining industry is highly fragmented with many small, thinly capitalized companies pursuing exploratory development programs. Producing mines require significant capital expenditures and competition at that level is limited. As an exploration stage company, there are numerous competitors in each of our geographical segments. With the heightened activity in the exploration industry resources such as equipment (drills) and human resources are scarce amongst the various companies. In order to mitigate these matters we have established relationships with two major drilling companies. We have also engaged the full time services of numerous technical staff including geologists in

order to ensure sufficient levels of technical expertise.

Item 1A.

Risk Factors

RISK FACTORS

Investors should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business could be materially adversely affected. In such case, the Company may not be able to proceed with its planned operations and your investment may be lost entirely. The Securities offered hereby should only be purchased by persons who can afford to lose their entire investment without adversely affecting their standard of living or financial security.

Business Risks

Possible Loss of Entire Investment

Prospective investors should be aware that if the Company is not successful in its endeavors, their entire investment in the Company could become worthless. Even if the Company is successful, there can be no assurances that investors will derive a profit from their investment.

We have a history of losses. Losses will likely continue in the future.

We have incurred significant losses in the past and will likely continue to incur losses unless our exploratory drilling program proves successful. Even if our drilling program identifies gold, silver or other mineral reserves, there can be no assurance that we will be able to commercially exploit these resources or generate sufficient revenues to operate profitably.

We will require additional financing to continue drilling operations.

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

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

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

We have no history as a mining company.

We have no history of earnings or cash flow from mining operations. If we are able to proceed to production, commercial viability will be affected by factors that are beyond our control such as the particular attributes of the deposit, the fluctuation in metal prices, the cost of construction and operating a mine, prices and refining facilities, the

availability of economic sources for energy, government regulations including regulations relating to prices, royalties, restrictions on production, quotas on exploration of minerals, as well as the costs of protection of the environment.

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

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

No ongoing mining operations.

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

There may be insufficient mineral reserves to develop the property and our estimates may be inaccurate.

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

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

We face fluctuating gold and mineral prices and currency volatility.

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

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

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

Our estimates of reserves are subject to uncertainty.

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

Requirement for Permits and Licenses

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

Currency Fluctuations

Any mining operations we undertake outside of the United States will be subject to currency fluctuations. Fluctuations in the exchange rate between the U.S. dollar and any foreign currency may adversely impact our operations. We do not anticipate that we will enter into any type of hedging transactions to offset this risk.

Political Stability

We intend to conduct operations in democratic and stable countries. However, with Mexico, like other developing companies, there is a greater likelihood of political unrest and changing rules and regulations regarding foreign investment. Political unrest would likely destabilize the country. This would in all likelihood adversely impact our proposed operations in any foreign jurisdiction.

Title Matters

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

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

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

The precious metals markets are volatile markets. This will have a direct impact on the Company's revenues and profits(if any) and will probably affect whether the Company will be able to succeed.

The price of both gold and silver has increased over the past few years. This has contributed to the renewed interest in gold and silver mining and companies engaged in that business, including the exploration for both gold and silver. However, in the event that the price of these metals fall, the interest in the gold and silver mining industry may decline and the value of the Company's business could be adversely affected. Further, although it is anticipated that mining costs outside of the United States and Canada will be appreciably lower, no assurances can be given that the situation will remain, or that gold or silver will remain at a price that will make mining operations profitable. Finally, in recent decades, there have been periods of both overproduction and underproduction of both gold and silver resources. Such conditions have resulted in period of excess supply of and reduced demand on a worldwide basis and on a domestic

basis. These periods have been followed by periods of short supply of and increased demand for both gold and silver. The excess or short supply of gold has placed pressure on prices and has resulted in dramatic price fluctuations even during relatively short periods of seasonal market demand. We cannot predict what the market for gold or silver will be in the future.

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

The Company has and will, in the future, engage experts to assist it with respect to its operations. The Company is beginning to deal with the various regulatory and governmental agencies, and the rules and regulations of such agencies. No assurances can be given that it will be successful in its efforts. Further, in order for the Company to operate and grow its business, it needs to continually conform to the laws, rules and regulations of such jurisdiction. It is possible that the legal and regulatory environment pertaining to the exploration and development of

gold mining properties will change. Uncertainty and new regulations and rules could increase the Company's cost of doing business or prevent it from conducting its business.

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

Many of our potential competitors have:

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greater financial and technical resources;

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longer operating histories and greater experience in mining;

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

It is unlikely that we will be able to sustain profitability in the future.

We have incurred significant losses since inception and there can be no assurance that we will be able to reverse this trend. Even if we are able to successfully identify commercially exploitable mining reserves, there can be no assurance that we will have sufficient financing to exploit these reserves or find a willing buyer for the properties.

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

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

Exploration for economic deposits of minerals is speculative.

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

Exploratory and mining operations are subject to environmental risks.

Both exploratory and mining activities are subject to strict environmental rules and regulations. While we believe that we have complied with all applicable rules and regulations to date, there can be no assurance that we will be able to comply with these rules in the future. Moreover, if it is determined that any prior activity on or about our mining

reserves created environmental risks, we would be liable for this clean-up even though we did no perpetrate the violation.

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

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

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

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

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

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

We will require additional financing to continue our exploration activities.

Our drilling programs require significant capital. Without additional financing, of which there can be no assurance, we may be forced to halt or reduce our planned exploratory program. Should this happen, it is likely that we will not be able to demonstrate that there are significant gold or silver reserves in sufficient quantities to interest a mining company.

Risks Related to Our Common Stock

Our stock price may be volatile.

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

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

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

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

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

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

Regulatory actions by the Securities and Exchange Commission, any Exchange on which our securities are traded, or companies providing stock clearance or transfer functions, may adversely affect the price of our common stock, the ability of shareholders to sell their shares and our ability to secure additional funding.

Any actions by the Commission, an Exchange or company which facilitates the clearance or transfer of our securities will in all likelihood impact the trading price of the Company s common stock and cash reserves. Should any regulatory matters arise, resolution of these matters with any entity will likely result in significant legal fees and related expenses that would otherwise be devoted to our mining efforts. If you are a shareholder, you may not be able to sell your securities and shares of our common stock will become highly illiquid which may result in the loss of your entire investment.

In addition, should we become subject to any of the events identified above, our ability to secure additional financing will be adversely affected.

We were the subject of a temporary trading halt in our common stock.

On March 13. 2008 the Securities and Exchange Commission entered an order suspending trading for a period of ten days against 26 Companies including Paramount. (Order No. 34-57486.) The order alleged that there was a lack of current public information and that the Company usurped the identity of a corporate shell. We responded to the Commission s order and provided information to the Commission which we believe addressed its concerns. We also provided similar information to the American Stock Exchange. In our opinion we believe that this matter has been resolved. Nonetheless, there can be no assurance that issues raised in the Commission s order will not be raised at a future date. Should this happen, investor confidence in our common stock will in all likelihood be adversely affected.

We face possible litigation claims from shareholder.

The securities industry and the offer and sale of securities is highly regulated. Any improper actions, whether intentional or unintentional could subject the Company to litigation and potential monetary damages.

We may be required to initiate litigation against parties who were engaged in improper or negligent activities with respect to our common stock.

Any litigation that we undertake with respect to our common stock or other matters will involve the expenditure of significant financial resources and divert management s focus from their primary responsibilities. Moreover, even if management is successful with the prosecution, there can be no assurance that the Company will be able to recover monetary damages against the culpable parties.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10-K contains "forward-looking statements" relating to Paramount Gold and Silver Corp. (Paramount we , our , or the Company) which represent our current expectations or beliefs including, but not limited to, statements concerning our operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-K that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "anticipate", "intend", "could", "estimate", or "continue" or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as credit losses, dependence on management and key personnel, variability of quarterly results, and our ability to continue our growth strategy and competition, certain of which are beyond our control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

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

FOR ALL OF THE AFORESAID REASONS, AND OTHERS SET FORTH HEREIN, THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK. ANY PERSON CONSIDERING AN INVESTMENT IN THE SECURITIES OFFERED HEREBY SHOULD BE AWARE OF THESE AND OTHER FACTORS SET FORTH IN

THIS MEMORANDUM. THESE SECURITIES SHOULD ONLY BE PURCHASED BY PERSONS WHO CAN AFFORD A TOTAL LOSS OF THEIR INVESTMENT IN THE COMPANY AND HAVE NO IMMEDIATE NEED FOR A RETURN ON THEIR INVESTMENT.

Item 2.

Description of Properties.

Our corporate office is located at Suite 110, 346 Waverly Street, Ottawa, Ontario K2P 0W5. We rent approximately 2,700 square feet of office space at a cost of approximately US $7,000. We also have a field office in Temoris, Mexico. All of our office leases are in good standing.

The location of our mining operations is more specifically described under the discussion of our business under the heading San Miguel Groupings .

Item 3.

Legal Proceedings.

None.

Item 4.

Submission of Matters to a Vote of Security Holders.

On August 23, 2007 we held an annual shareholders meeting. The following matters were presented to the shareholders:

1.

Election of the following members of our board of directors: Christopher Crupi, William Reed, Daniel Hachey, John Carden, Ian Talbot and Michel Yvan Stinglhamber.

2.

Appointment of HLB Cinnamon Jang Willoughby & Company as our independent certified public accountants;

3.

Approval of our name change to Paramount Gold and Silver Corp.; and

4.

Ratification of our 2007/08 Stock Incentive and Equity Compensation Plan

All of the foregoing matters were approved by our shareholders.

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PART II

Item 5.

Market for Common Equity and Related Stockholder Matters.

A. Market Information

Our common stock began trading on the American Stock Exchange on August 1, 2007. We trade under the symbol PZG . Our common stock also trades on the under the Toronto Stock Exchange under the same symbol and on the Frankfurt Exchange under the symbol P6G. There is a limited market for our common stock. Prior to trading on the American Stock Exchange, our Common Stock traded on the Over-the-Counter Bulletin Board.

Until August 26, 2005, there was no posted bid or ask price for our common stock when we began to trade on the Over the Counter Bulletin Board. The following table sets forth the high and low prices for our common stock for the periods indicated:

	HIGH	LOW
2008		
First Quarter	$2.56	$1.81
Second Quarter	$1.99	$1.38
Third Quarter (through August 31)	$1.75	$0.97
2007		
First Quarter	$3.04	$2.07
Second Quarter	$3.04	$2.13
Third Quarter	$3.00	$2.13
Fourth Quarter	$2.57	$1.70
2006		
First Quarter	$3.20	$1.80
Second Quarter	$4.35	$2.50
Third Quarter	$3.20	$1.80
Fourth Quarter	$2.57	$1.95

The reported bid quotations reflect inter-dealer prices without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

B. Holders

As of August 29, 2008 there were 107 stockholders of record of our common stock.

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

C. Dividends

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

D. Equity Compensation Plan

2007/08 Stock Incentive and Compensation Plan

On August 23, 2007, the Company s shareholders approved the 2007/08 Stock Incentive and Compensation Plan (the Plan). The purpose of the Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to attract, retain and reward directors, employees and consultants (collectively, Participants) and strengthen the mutuality of interests between such persons and the Company s stockholders.

Awards

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

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

The aggregate number of shares of Common Stock which may be issued under the Plan with respect to which Awards may be granted shall not exceed 4,000,000 shares of Common Stock. On August 23, 2007, the 4 million shares authorized under the Plan represented 8.7% of the Company s issued and outstanding shares of common stock. As of August 31, 2008, there were 115,500 shares of Common Stock available for issuance for future Awards.

If any Stock Option or Stock Appreciation Right granted under the Plan expires, terminates or is cancelled for any reason without having been exercised in full or, with respect to Stock Options, the Company repurchases any Stock Option, the number of shares of Common Stock underlying the repurchased Stock Option, and/or the number of shares of Common Stock underlying any unexercised Stock Appreciation Right or Stock Option shall again be available for the purposes of Awards under the Plan.

Administration

The Plan is administered and interpreted by its Compensation Committee The Committee has full authority, among other things, to: (a) select the eligible employees and consultants to whom Stock Options, Stock Appreciation Rights, Restricted Stock or Registered Stock may from time to time be granted; (b) determine, in accordance with the terms of the Plan, the number of shares of Common Stock to be covered by each Award to an eligible employee or consultant granted; and (c) determine the terms and conditions of any Award granted hereunder, including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Stock Option or other Award, and the Common Stock relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion.

Stock Options

The option price per Common Stock purchasable upon either an Incentive Stock Option or Non-Qualified Stock Option shall not be less than 100% of the fair market value of the Common Stock at the time of grant. For the purposes of the Plan, the fair market value means: (i) if the Common Stock is listed on a national securities exchange

or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on such date; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on such date, as reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be otherwise determined, such price as the Committee shall determine, in good faith, based on reasonable methods set forth under Section 422 of the Code. Notwithstanding the foregoing, nothing shall prohibit the committee from modifying the terms and conditions of any stock grants subject to the consent of the shareholders and/or other regulatory bodies.

The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten (10) years after the date the Stock Option is granted unless the Stock Options expires during a self-imposed blackout period to which the holder of the Stock Option is subject, in which case the Stock Option may be exercised up to 10 business days after the lifting of the blackout period.

Stock Awards

Shares of Restricted Stock or Registered Stock may be issued to eligible employees or consultants either alone or in addition to other Awards granted under the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock or Registered Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient, the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards. The purchase price of Restricted Stock shall be fixed by the Committee. The purchase price for shares of Restricted Stock may be zero to the extent permitted by applicable law. The Participant shall not be permitted to transfer shares of Restricted Stock awarded under the Plan during a period set by the Committee.

Tandem Stock Appreciation Rights

Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option (a Reference Stock Option) granted under the Plan (Tandem Stock Appreciation Rights). In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Reference Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Reference Stock Option.

A Tandem Stock Appreciation Right or applicable portion thereof granted with respect to a Reference Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the Reference Stock Option, except that, unless otherwise determined by the Committee, in its sole discretion, at the time of grant, a Tandem Stock Appreciation Right granted with respect to less than the full number of shares covered by the Reference Stock Option shall not be reduced until and then only to the extent the exercise or termination of the Reference Stock Option causes the number of shares covered by the Tandem Stock Appreciation Right to exceed the number of shares remaining available and unexercised under the Reference Stock Option.

Upon the exercise of a Tandem Stock Appreciation Right, a Participant shall be entitled to receive up to, but no more than, an amount in cash and/or Common Stock equal in value to the excess of the fair market value of one share of Common Stock over the option price per share specified in the Reference Stock Option multiplied by the number of shares in respect of which the Tandem Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

Non-Tandem Stock Appreciation Rights

Non-Tandem Stock Appreciation Rights may also be granted without reference to any Stock Options granted under the Plan (Non-Tandem Stock Appreciation Rights). The term of each Non-Tandem Stock Appreciation Right shall be fixed by the Committee, but shall not be greater than ten (10) years after the date the right is granted. Non-Tandem Stock Appreciation Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant. Subject to such terms and conditions, Non-Tandem Stock Appreciation Rights may be exercised in whole or in part at any time during the option term, by giving written notice of exercise to the Company specifying the number of Non-Tandem Stock Appreciation Rights to be exercised.

Upon the exercise of a Non-Tandem Stock Appreciation Right, a Participant shall be entitled to receive, for each right exercised, up to, but no more than, an amount in cash and/or Common Stock equal in value to the excess of the fair market value of one share of Common Stock on the date the right is exercised over the fair market value of one (1) share of Common Stock on the date the right was awarded to the Participant.

Transfer of Awards

No Stock Option or Stock Appreciation Right granted shall be transferable by the Participant otherwise than by will or by the laws of descent and distribution. All Stock Options and all Stock Appreciation Rights granted to Participants shall be exercisable, during the Participant s lifetime, only by the Participant. Tandem Stock Appreciation Rights shall be transferable, to the extent permitted, only with the underlying Stock Option. Shares of

Restricted Stock may not be transferred prior to the date on which shares are issued, or, if later, the date on which any applicable restriction period lapses.

Termination of Employment

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

(i)

on death or termination of employment or consultancy by reason of disability or retirement may be exercised, to the extent exercisable at the Participant s death or termination, by the legal representative of the estate or Participant as the case may be, at any time within a period of one (1) year from the date of such death or termination;

(ii)

on termination of employment or consultancy by involuntary termination without cause or for good reason may be exercised, by the Participant at any time within a period of ninety (90) days from the date of such termination; or

(iii)

on termination of employment or consultancy by voluntary termination but without good reason and occurs prior to, or more than ninety (90) days after, the occurrence of an event which would be grounds for termination by the Company for cause, any Stock Option held by such Participant may be exercised, to the extent exercisable at termination, by the Participant at any time within a period of thirty (30) days from the date of such termination, but in no event beyond the expiration of the stated term of such Stock Option.

Amendments to the Plan

The Board may at any time amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate the Plan entirely. Provided, however, that, unless otherwise required by law or specifically provided in the Plan, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may not be impaired without the consent of such Participant and, provided further, without the approval of the stockholders of the Company, if and to the extent required by the applicable provisions of Rule 16b-3 of the 1934 Act or, if and to the extent required, under the applicable provisions of the Code, no amendment may be made which would, among other things: increase the aggregate number of shares of Common Stock that may be issued under the Plan; change the classification of Participants eligible to receive Awards under the Plan; decrease the minimum option price of any Stock Option; extend the maximum option period; change any rights under the Plan with regard to non-employee directors; or require stockholder approval in order for the Plan to continue to comply with the applicable provisions.

E.

Sale of Unregistered Securities

During the fourth quarter ended June 30, 2008, we sold a total of 250,000 shares of our common stock in consideration for the acquisition of mineral rights.

During the year, we have issued shares of our common stock for services rendered and to acquire mineral rights. We have also issued shares of our common stock 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.

Item 6.

Selected Financial Data

SUMMARY OF FINANCIAL DATA

The following consolidated financial data has been derived from and should be read in conjunction with our audited interim financial statements for the years ended June 30, 2008, 2007 and 2006.

	Year Ended June 30, 2008 (Audited))	Year Ended June 30, 2007 (Audited)	Year Ended June 30, 2006 (Audited)
Revenue	$ 457,562	$ 268,605	$ 6,860
Expenses	$ 18,867,523	$ 15,938,494	$ 1,881,322
Cash	$ 3,199,848	$ 16,231,388	$ 465,791
Total Assets	$ 11,932,328	$ 22,189,838	$ 3,848,669
Current Liabilities	$ 1,714,620	$ 779,345	429,246
Total Liabilities	$ 1,714,620	$ 779,345	429,246
Working Capital (Surplus)	$ 4,119,068	$ 18,137,737	$ 443,320
Accumulated Deficit	$ 35,956,085	$ 17,546,124	$ 1,876,225

Item 7.

Management s Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD LOOKING STATEMENTS

The statements contained in this report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects upon the Company. There can be no assurance that future developments affecting the Company will be those anticipated by management. Actual results may differ materially from those included in the forward-looking statements.

Readers are also directed to other risks and uncertainties discussed in other documents filed by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

The following discussion and analysis should be read in conjunction with our audited financial statements for the fiscal year ended June 30, 2008.

Introduction

We are an exploratory stage mining company, that is, we have option agreement on claims to numerous mining concessions in Mexico, Peru, Argentina and Chile. We have not proven that they contain precious metals having commercial value. Both internally and using independent laboratories, we have conducted numerous tests on the surface assays and core samples from drilling.

Comparison of Operating Results for the year ended June 30, 2008 as compared to June 30, 2007

Revenues

We are an exploratory mining company with no revenues from operations to date. All of our revenues to date represent interest income which we have earned as a result of our cash holdings. Our cash holdings were generated from the sale of our securities. Interest income for the year ended June 30, 2008 was $457,562 as compared to $268,605 for the year ended June 30, 2007. Interest income since inception totaled $733,027. Interest income increased significantly this past year as a result of the completion of our $21.8 million financing. These funds are deposited in an interest bearing account subject to transfer to our operating account to meet ongoing expenses. We intend to utilize our cash reserves for ongoing exploration activities, land acquisitions and general working capital expenditures. As a result, we anticipate a significant decline in our interest income absent a significant capital infusion.

Operating Expenses

We incurred expenses totaling $18,867,523 and $15,938,494 for the year ended 2008 as compared to 2007, an increase of approximately 18%. The significant increase in our expenses is primarily attributable to the exploratory costs and geology expenses. Other areas where we incurred significantly higher expenses were for professional fees, marketing, corporate communications and office and administrative expenses.

During our last fiscal year, we incurred exploratory costs of $7,575,155, professional fees of $1,429,979, geologist fees and expenses of $826,504, marketing fees of $932,777 and office and administrative expenses totaling $511,096. These fees compare to exploratory fees of $4,359,306, professional fees of $608,061, geologist fees and expenses of $512,142, marketing fees of $89,296, and office and administrative expenses of $233,541 for the year ended June 30, 2007. The significant increase in all of these expenses as well as the other expenses identified in our Consolidated Statement of Operations is the result of increased exploratory costs, costs incurred with respect to the acquisition of mineral properties as well as increased costs incurred with respect to the oversight of these operations.

We continue to rely on stock based compensation. However, during our latest fiscal year stock based compensation declined from $8,136,795 to $6,061,101. Shares were issued for services rendered and to be rendered by consultants. In addition we issued shares of our common stock to our directors for services rendered for serving on the Company s board of directors. Additional shares of common stock were issued in lieu of services rendered. We also issued shares of our common stock valued at $490,000 for the acquisition of mineral properties in 2008 as compared to $1,160,000 in 2007. The value of the Common Stock was determined based upon the closing bid price of our Common Stock on the date of grant.

Net Income (loss)

Our Net Loss for the year ended June 30, 2008 was $18,409,461 as compared to a Net Loss of $15,669,889 in our prior year. Our Net Loss per Share was $(0.38) as compared to a Net Loss Per Share of $(0.43) for the comparable periods in 2007. The decline in our net loss per share is directly attributable to an increase in the number of our issued and outstanding shares of common stock. The weighted average number of common shares outstanding for 2008 was 47,703,566 as compared to 36,543,532 for 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 anticipate that we will continue to incur ongoing losses.

Liquidity and Capital Resources

Assets and Liabilities

At June 30, 2008 we had cash and cash equivalents totaling $3,199,848 as compared to $16,231,388 as of June 30, 2007. The significant decrease in our cash reserves is directly attributable to expenses we have incurred since the completion of our primary financing in March 2007. Amounts receivable totaled $1,384,492 as compared to $ 944,069 and prepaid expenses and deposits totaled $379,348 as compared to $1,741,625. We had total current assets of $5,833,688 as compared to $18,917,082.

Our mineral properties were valued as of June 30, 2008 at $4,738,747 as compared to $3,001,247. The 57% increase in the value of our mineral properties this past year is directly attributable to an increase in the size of our holdings. (See Footnote 6.) We also have a long term receivable of $1,004,897 which is non-redeemable until May 7, 2010 and bears interest at the rate of 3.25% per annum.. Fixed assets totaled $354,996 as compared to $271,509.Our long term

assets at June 30, 2008 totaled $6,098,640 as compared to $3,272,756 as of June 30, 2007.

Total assets as at June 30, 2008 were $11,932,328 as compared to $22,189,838 as at June 30, 2007. The primary reason for this significant drop in our total assets is a decline in our cash position.

Our current liabilities as of June 30, 2008 $1,714,620 as compared to $779,345 as of June 30, 2007. The significant increase in our accounts payable is primarily attributed to drilling costs. We have a working capital surplus of $4,119,068 as compared to a working capital surplus of $18,137,737 as of June 30, 2007. Unless we receive a significant cash infusion from either debt or equity financing, of which there can be no assurance, we will have to significantly reduce our drilling and land acquisition programs during the upcoming year.

Results of Operation for the year ended June 30, 2008.

With respect to our short term liquidity, our Current Ratio (current assets divided by current liabilities) as of June 30, 2008 was 3.4 as compared to 24.27 as of June 30, 2007. The current ratio is a commonly used as a measure of a company s liquidity. Our management believes, however, that with a company still in the exploratory stage, the ratio may not be as significant as with an ongoing business in comparing the Company with others in the industry. In analyzing our liquidity, we look at actual dollars; we compare our cash on hand and other short-term assets with our bills payable and other short-term obligations. Since our only source of funds has been from the periodic sale of securities, it will be very difficult for us to meet our current and anticipated obligations for a significant period of time without raising additional capital. If we are not able to raise adequate capital and to do so in a timely manner, we will not be able to fully implement our business plan or sustain ongoing operations.

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

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

The Company s consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability to continue as a going concern is dependent on the Company s ability to generate profitable operations in the future, to maintain adequate financing, and to achieve a positive cash flow. There is no assurance it will be able to meet any or all of such goals.

Andean Gold Alliance/Peru

We have terminated our agreement with Teck Cominco and written off the asset known as the Andean Gold Alliance. We have also terminated our drilling program in Peru as we have not been able to identify viable precious metal deposits.

Plan of Operation - Exploration

Our plan of operation for the next twelve months is to focus our exploratory efforts on the San Miguel groupings. It is very difficult to forecast with any degree of certainty the extent of our drilling program for 2009. Unless we receive additional financing or enter into some type of joint venture agreement whereby exploratory expenses will be borne by both parties, we will have to significantly reduce our exploratory program to preserve capital.

Further exploration programs will also be dependent upon drill rig availability and weather. At June 30, 2008 we had two drill rigs active at the property. However, we have since returned both drill rig pending further assay results in an attempt to maximize further drilling opportunities and identify a proven reserve.

In order to enhance shareholder value, increase the number of mineral concessions which we own and to further increase the likelihood of identifying a joint venture partner we have entered into an agreement with Tara Gold Resources Corp. (Tara Gold) to acquire all of the remaining equity ownership of the Joint Venture previously entered into between the parties on February 7, 2007. In consideration for the acquisition of the remaining equity interest owned by Tara Gold Resources Corp. in the Joint Venture, Paramount will issue to Tara Gold a total of 7,350,000 shares of its legended common stock. In addition, assuming 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 which totaled $1,005,900 as of June 30, 2008 will be cancelled. In addition to the issuance of the shares of our common stock, we will pay to Tara Gold for the transfer of the mining concessions a total of $100,000 MXN.

Closing of the transaction will be subject to approval of the stock issuance by both the American Stock Exchange and the Toronto Stock Exchange as well as registering the transaction with the Bureau of Mines in Mexico.

In the event that this transaction does not close, a total of $1,005,900 was due from Tara Gold as of June 30, 2008. These expenses represent Tara Gold s proportionate contribution to the Joint Venture. As collection is not reasonably assured, as of June 30, 2008, we have not recorded amounts receivable from Tara Gold. Any amounts recovered will be recorded as a recovery of exploration expenditures in the period received.

In addition to the Tara Gold acquisition, on June 19, 2008 we signed a letter of intent with Garibaldi Resources Corp. for grant of an option and joint venture to acquire approximately 17,000 hectares of property adjoining our San Miguel interest. We have made an initial $100,000 payment under this agreement. In order to earn a 50% interest, we will be required to make an additional payment of $400,000, issue 600,000 shares of our common stock and spend 700,000 in exploration expenses. There are also provisions in the Letter of Intent which give us the opportunity to increase our interest in the joint venture to 70%. The foregoing will be subject to execution of a definitive agreement.

Critical Accounting Policies

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

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

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

The Company s consolidated financial statements are prepared using the accrual method of accounting and according to the provision of Statement of Financial Accounting No. 7 (SFAS 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.

Effective January 1, 2006, we adopted the provisions of SFAS No. 123(R), Share-Based Payment, under the modified prospective method. SFAS No. 123(R) eliminates accounting for share-based compensation transactions using the

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

Off-Balance Sheet Arrangements

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

Item 7a.

Quantitative and Qualitative Disclosure.

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 8.

Financial Statements and Supplementary Data.

Our financial statements have been examined to the extent indicated in their reports by HLB Cinnamon Jang Willoughby & Company and have been prepared in accordance with generally accepted accounting principles and pursuant to Regulation S-X as promulgated by the Securities and Exchange Commission and are included herein, on Page F-1 hereof in response to Part F/S of this Form 10-K.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A.

Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report (June 30, 2008), as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended. Our disclosure controls and procedures are intended to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as the principal executive and financial Officers, respectively, to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective.

Our management has concluded that the financial statements included in this Form 10-K present fairly, in all material respects our financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Under supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in Internal Control Integrated Framework. Based on our evaluation under the

framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of June 30, 2008.

This Annual Report does not include an audit or attestation report of our registered public accounting firm regarding our internal control over financial reporting. Our management s report was not subject to an audit or attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management s report in this Annual Report.

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

Evaluation of Changes in Internal Controls over Financial Reporting

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the fourth quarter of 2008 that has materially affected, or is reasonable likely to affect, our internal control over financial reporting. Based on that evaluation, our management concluded that, at the end of the period covered by this Annual Report, no deficiencies were identified in our internal controls over financial reporting which constitute a material weakness.

Item 9B.

Other Information

None.

PART III

Item 10.

Directors, Executive Officers and Corporate Governance.

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

Name	Age	Position(s)
Christopher Crupi	39	Director/CEO/Pres/Treasurer
Charles William Reed	66	Director and Vice President
Lucie Letellier	47	Chief Financial Officer
Michael Clancy	43	Secretary
John Carden	60	Director
Daniel Hachey	49	Director
Michel Yvan Stinglhamber	75	Director
Ian Talbot	49	Director
Robert Dinning	69	Director

Christopher Crupi

Mr. Crupi is a chartered accountant. He serves as our President, Chief Executive Officer and Director. Mr. Crupi founded the Company in 2005 and oversees the administrative and operations activities of the Company. From 2000 to 2004, Mr. Crupi was a Vice President of PricewaterhouseCoopers LLP. Mr. Crupi received his Bachelor of Commerce degree from the University of Ottawa in 1992. Mr. Crupi received his Chartered Accountant designation in 1995.

Charles William Reed

Mr. Reed serves as our Vice President and Director. Mr. Reed has been our Vice President since 2005. Mr. Reed is our manager of exploration in Mexico. Mr. Reed is a consultant to the Company and has committed 50% of his time to his duties at Paramount. In addition to his duties at Paramount, Mr. Reed is also Chief Geologist of AmMex Gold and Silver Corp. Mr. Reed has significant mining experience in Mexico, as he was formerly Chief Geologist - Mexico for Minera Hecla S. A. de C. V. (Hecla), a subsidiary of Hecla Mining (NYSE:HL) from 1998 to 2004, and Regional Geologist, Mexico and Central America for Echo Bay Exploration from 1993 to 1998. While at Hecla, Mr. Reed supervised detailed exploration at the Noche Buena project, Sonora, and the San Sebastian silver and gold mine, Durango. He also discovered and drilled the Don Sergio vein that was later put into production. Mr. Reed received his Bachelor of Science Degree, Mineralogy, from the University of Utah in 1969 and is a Registered Professional Geologist in the State of Utah. He also completed an Intensive Spanish Program at Institute De Lengua Espanola, San Jose, Costa Rica in 1969.

Lucie Letellier

Ms. Letellier was appointed our chief financial officer in August, 2007. Prior to her appointment as our new Chief Financial Officer, since January 2006, Ms. Letellier served as our controller, in charge of day to day accounting operations with respect to the Company s mining exploration operations. She has been responsible for the proper maintenance of our joint venture accounting and consolidation accounting with respect to our two wholly-owned subsidiaries. Ms. Letellier prepares and delivers quarterly and annual financial statements in accordance with US GAAP for review or audit.

Ms. Letellier also currently serves as the CFO for AmMex Gold Mining Corp. and is responsible for AmMex s accounting and financial functions. From 1990 to 2005, Ms. Letellier was Senior Accountant in the Office of Marc S. Chabot, Chartered Accountant.

Michael Clancy

Mr. Clancy was appointed our corporate secretary in August 2007. Mr. Clancy is a partner in the Ottawa office of Gowling Lafleur Henderson LLP (Gowlings). Mr. Clancy practices business law and has been with Gowlings since 1989. Mr. Clancy completed two years of a Bachelor of Arts at Carleton University and obtained his

Bachelor of Laws from Osgoode Hall Law School. Gowlings serves as our corporate and securities counsel for non-U.S. related securities matters.

John Carden, Ph.D.

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

Daniel Hachey

Mr. Hachey joined the Company as a director in 2006. Mr. Hachey has a strong capital markets background with twenty years of experience in investment banking largely in the area of public equity financing including initial public offerings and private placements. Currently, Mr. Hachey is President and CEO of Greenwich Global Capital Inc., a public capital pool company listed on the TSX Venture Exchange. From 2003 to 2003, Mr. Hachey was President and CEO of Valencia Ventures Inc., a publicly-traded mining company listed on the TSX Venture Exchange. From 2001 to 2003, he led the Mining Investment Banking Group at Research Capital Corp.. From 1998 to 2001, Mr. Hachey was at HSBC and leaving as Senior Vice President and Director, Head of Technology Group (investment banking). Mr. Hachey received a Bachelor of Science degree from Concordia University in 1982 and a Master of Business Administration degree in finance from McGill University in 1986.

Michel Yvan Stinglhamber

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

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

Ian Talbot

Mr. Talbot joined the Company as a director effective May 31, 2007. He is an attorney and has significant experience with both mining and exploration stage companies. He is the president and CEO of Arcus Development Group Inc., a junior mineral exploration company. He is also a director of Rimfire Minerals Corporation, a junior exploration company listed on the TSX Venture Exchange. In addition, Mr. Talbot currently acts as associate legal counsel to Morton & Company, a boutique securities law firm in Vancouver, Canada.

Between 2002 and 2006, Mr. Talbot was employed by BHP Billiton World Exploration Inc. as senior legal counsel and worked exclusively on mineral property acquisitions, dispositions and related junior exploration company financings. During 2005, Mr. Talbot also acted as a BHP Billiton commercial manager and was responsible for the management of a junior exploration company stock portfolio valued in excess of US$20 million.

Prior to joining BHP Billiton, Mr. Talbot was a practicing attorney concentrating in corporate and securities matters for both public and private companies. He received his Bachelor of Laws degree from the University of British Columbia in 1989 and received a Bachelor of Science (geology) from Brandon University in 1984.

Robert Dinning

Mr. Dinning joined Paramount in March 2008 as a director. Mr. Dinning is a Chartered Accountant, and life time member of the Alberta Institute of Chartered Accountants. Mr. Dinning has operated a consulting practice since 1977. He has an extensive background in corporate finance, operating in the mining and high tech industries.

Mr. Dinning has been an officer and director of various public and private companies for the past 35 years, including various Companies in both the United States and Canada. Mr. Dinning has since 2000 held various positions with Apolo Gold & Energy Corp., a Vancouver, British Columbia based company focused on precious metal mining opportunities in Central and South America and currently serves as Apolo s Chief Financial Officer, Secretary and as a Director. Mr. Dinning also serves as the Chief Financial Officer, Secretary and as a director of Industrial Minerals Inc., an Oakville, Ontario based, exploratory mining company. Mr. Dinning s principal place of business is located at 12-1900 Indian River Cr North Vancouver B.C. Canada V7G 2R1.

Committees of the Board

The Board has established an Audit Committee, Compensation Committee and Nominating Committee. A minimum of three Board members serve on each committee. The audit committee, nominating committee and the compensation committee each met following the Company s shareholders meeting. Our audit committee has met a second time in connection with the review of our financial statements which are being filed together with this annual report. We anticipate that these committees will continue to meet on a periodic basis throughout the year.

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

Our Compensation Committee discharges the Board s responsibilities relating to compensation of the Company s executive officers. The Compensation Committee reviews and approves for the CEO and the other executive officers of the Company (i) the annual base salary, (ii) the annual incentive bonus, including the specific goals and amount, (iii) equity compensation, (iv) employment agreements, severance arrangements, and change in control agreements/provisions, and (v) any other benefits, compensation or arrangements. The Compensation Committee will have overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company and administering the Company s equity compensation plans.

The Nominating Committee s responsibilities are to (i) identify individuals qualified to become Board members; (ii) select, or recommend to the Board, director nominees for each election of directors, (iii) develop and recommend to the Board criteria for selecting qualified director candidates, and (iv) consider committee member qualifications, appointment and removal.

Each of our three committees of our board of directors have met periodically throughout the year to discharge their responsibilities.

Corporate Cease Trade Orders or Bankruptcies

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

manager or trustee appointed to hold his or her assets.

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

Penalties or Sanctions

To the best of our knowledge, none of our directors, officers or stockholders holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement

agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

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

Compensation of Directors

Except as set forth herein, our directors do not receive cash compensation for their services as directors or members of committees of our Board of Directors. Directors are however, reimbursed for their reasonable expenses incurred in attending board or committee meetings. As more fully set forth under Executive Compensation, our directors have been issued shares of our common stock in consideration for their service on the Board of Directors and for their serving on various committees of the Board of Directors.

We paid John Carden a fee to cover his trips to Mexico. In addition we pay Michel Stinglhamber a fee of $2,000 per month for serving on our Board of Directors.

Terms of Office

Our directors are appointed for one-year terms to hold office or until the next annual general meeting of the holders of our Common Stock or until removed from office in accordance with our by-laws. Our directors were recently approved by our shareholders at the Company s annual meeting held August 23, 2007. Our officers are appointed by our board of directors and hold office until removed by our board of directors.

Family Relationships

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

Compliance with Section 16(a) of the Securities Exchange Act of 1934

For companies registered pursuant to section 12(g) of the Exchange Act, Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, for the fiscal year ended June 30, 2007, based solely on a review of the copies of reports furnished to us and written representations that no other reports were required, Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with on a timely basis for the period which this report relates.

Code of Ethics

The Company has adopted a Code of Ethics that meets the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. Our Code of Ethics can be reviewed on our corporate website located at **www.paramountgold.com**.

Item 11.

Executive Compensation.

The following table discloses compensation paid during the fiscal year ended June 30, 2008 to (i) the Company's Chief Executive Officer, (ii) our directors and (iii) individual(s) who were the only executive officers, other than the Chief Executive Officer, serving as executive officers at the end of fiscal year whose total salary and bonus exceeded $100,000 (the "Named Executive Officers"). No restricted stock awards, long-term incentive plan payouts or other types of compensation, other than the compensation identified in the chart below, were paid to these executive officers during these fiscal years.

See footnotes 3 and 4 for subsequent events regarding our officers and directors

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Restricted Stock Award(s) (5)	Securities Underlying Options/ SARs (5)	LTIP Payouts ($)	All Other Compen-sation ($)
Christopher Crupi	2006	-0-	-0-	-0-		400,000		$630,000(1)
President/Director	2007	39,000	35,000	-0-				
	2008	156,000			400,000	400,000		-0-
Bill Reed	2006	62,641	-0-	-0-				$562,500(2)
Vice president/director	2007	63,750	35,000					
	2008	166,000	-0-	-0-	40,000	40,000	-0-	
Ian Talbot	2006	-0-	-0-	-0-				
	2007	-0-	-0-	-0-				
	2008	-0-	-0-	-0-	55,000	195,000	-0-	
Michel Yvan	2005	-0-	-0-	-0-				
Stinglhamber	2006-	-0-	-0-	-0-				
	2007	4,000	-0-	-0-		145,000		
	2008	24,000	-0-	-0-	50,000	35,000	-0-	
Daniel Hachey	2006	-0-	-0-	-0-				
	2007	-0-	$870,000	-0-		300,000		$210,000(5)

John Carden	2006	-0-	-0-	-0-				
	2007	-0-	-0-	-0-				$102,101(5)
	2008	-0-	-0-	-0-	50,000	180,000	-0-	
Robert Dinning	2006	-0-	-0-	-0-				
	2007	-0-	-0-	-0-				
	2008	-0-	-0-	-0-	-0-	10,000	-0-	
Lucie Letellier	2006	26,000	-0-	-0-	-0-	-0-	-0-	
Chief financial officer (3)	2007	82,060	-0-	-0-	50,000	-0-	-0-	
	2008	125,000	-0-	-0-	-0-	150,000	-0-	

Footnotes

Note 1: The $630,000 represents the issuance of 300,000 shares of our common stock to Mr. Crupi for achieving his objectives and building shareholder value during the fiscal year ended June 30, 2006.

Note 2: On August 31, 2005 the Company entered into a consulting agreement with Charles William Reed who agreed to act as exploration manager (Mexico) and Director of the Company. The $562,500 represents share based compensation in consideration for the issuance of 250,000 shares of common stock which were granted for achieving his objectives during the fiscal year ended June 30, 2007.

Note 3: On August 23, 2007 we appointed Michael Clancy as our corporate secretary and Lucie Letellier was appointed our chief financial officer.

Note 4:

William Reed	400,000 (1)
Christopher Crupi	400,000 (1)
John Carden	180,000 (1)
Daniel Hachey	180,000 (1)
Ian Talbot	195,000 (1)
Michel Ivan Stinglhamber	35,000 (1)
Lucie Letellier	150,000 (1)
Michael Clancy	75,000 (1)
Robert Dinning	10,000 (2)

(1)

Stock options granted have a strike price of $2.42 per share.

(2)

Strike price of options granted is $2.25 per share.

Note 5: Represents stock based compensation.

DIRECTORS' COMPENSATION

Our directors are reimbursed for reasonable expenses incurred in connection with attendance at meetings of the Board and of Committees of the Board. Board members also receive a total of 150,000 stock options in consideration for their services on our Board. Board members also receive 15,000 stock options for each committee on which a member serves.

STOCK OPTIONS /GRANTS EXERCISED IN LAST FISCAL YEAR

None.

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Item 12.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information as of August 31, 2008 with respect to the beneficial ownership of the Company's Common Stock by: (i) all persons known by the Company to be beneficial owners of more than 5% of the Company's Common Stock, (ii) each director and Named Executive Officer, and (iii) by all executive officers and directors as a group.

Name	No. of Shares of Common Stock (1)	Percent of Class
Christopher Crupi	4,023,900	8.0%
Sprott Asset Management Inc.	3,642,000	7.2%
Libra Advisors Inc.	3,571,500	7.1%
Charles Reed	906,000	1.8%
Michel Yvan Stinglhamber	85,000	*
Daniel Hachey	380,000	*
John Carden	275,000	*
Ian Talbot	250,000	*
Michael Clancy	75,000	*
Lucie Letellier	292,460	*
Robert Dinning	65,000	*
(All officers and directors as a group 8 persons)	6,352,360	12.6%

*

Less than 1%

(1)

The foregoing includes stock options granted by our Board of Directors on August 23, 2007 where it was agreed that all board members would be entitled to receive a total of 150,000 stock options. Board members would also be entitled to the award of an additional 15,000 stock options for each board member serving on any of its committees. In addition, it was determined that Mr. Crupi and Mr. Reed would receive 250,000 stock options, Michael Clancy, the Company s new secretary would be granted 75,000 stock options and Lucie Letellier, our new chief financial officer would be granted 150,000 stock options. All options granted on that date had an exercise price of $2.42 per share.

Based on the foregoing, we granted the following stock options:

Name	Number	Exercise Price
William.Reed:	400,000	$2.42
Christopher Crupi-	400,000	$2.42
John Carden:	180,000	$2.42
Daniel Hachey:	180,000	$2.42
Ian Talbot:	195,000	$2.42
Michel. Stinglhamber:	35,000	$2.42
Michael Clancy:	75,000	$2.42
Lucie Letellier	150,000	$2.42
Robert Dinning	50,000	$2.25

Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's

actual ownership or voting power with respect to the number of shares of common stock actually outstanding on August 31, 2008. As of August 31, 2008 there were 48,620,997 shares of our common stock issued and outstanding. The table above assumes the exercise of outstanding options which would result in 50,210,997 issued and outstanding shares of our common stock.

The following table is a summary of our equity compensation plans as of August 31, 2008

	Number of securities to be issued upon exercise of outstanding options, warrants and rights **(a)**	**Weighted average exercise price of outstanding options, warrants and rights** **(b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** **(c)**
Securities Available for Issuance under a plan (2007/08).	4,000,000	$2.42	115,500
Securities Available for Issuance under a Plan (2006/07)	2,000,000	$2.24	-0-

Item 13.

Certain Relationships and Related Transactions and Director Independence.

Except as described below, none of the following persons has any direct or indirect material interest in any transaction to which we are a party during the past two years, or in any proposed transaction to which the Company is proposed to be a party:

(A)

any director or officer;

(B)

any proposed nominee for election as a director;

(C)

any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our common stock; or

(D)

any relative or spouse of any of the foregoing persons, or any relative of such spouse, who has the same house as such person or who is a director or officer of any parent or subsidiary.

During the year ended June 30, 2008 directors received payments on account of professional fee reimbursements totaling $437,178 as compared to $1,161,339 in 2007.

On January 8, 2008 the Company issued 195,000 shares to directors as compensation for services rendered. In addition, on January 8, 2008 Mr. Crupi was issued 400,000 shares of the Company s common stock valued at $792,000.

Also in December 2007, we issued 50,000 shares to Michel Stinglehamber as compensation for services rendered as a director.

In 2006, the Company entered into a premises lease agreement for office space in Ottawa with a corporation in which Christopher Crupi is a shareholder and was formerly a director. The Company pays a monthly rent of approximately $7,000 (Canadian) for 2008 which the Company believes represents the fair market value for similar leased space.

Item 14.

Principal Accounting Fees and Services.

AUDIT FEES. The aggregate fees billed for professional services rendered was $58,000 and $60,000 for the audit of our annual financial statements for the fiscal years ended June 30, 2008 and 2007, respectively, and $18,000 and $30,000 for the reviews of the financial statements included in our Forms 10-Q for the fiscal years ended 2008 and 2007 respectively.

AUDIT-RELATED FEES. The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of our financial statements and not reported under the caption "Audit Fee."

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

ALL OTHER FEES. Other than the services described above, there were no other services provided by our principal accountants for the fiscal years ended June 30, 2008 and 2007.

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

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

The audit committee discussed and reviewed with the independent auditors all matters required to be discussed by auditing standards generally accepted in the United States of America, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees". The audit committee reviewed the audited consolidated financial statements of the Company as of and for the year ended June 30, 2008 with management, the entire Board and with the independent auditors. Management has the responsibility for the preparation of the Company's financial statements and the independent auditors have the responsibility for the examination of those statements. Based on the above-mentioned review and discussions with the independent auditors and management, the entire Board of Directors approved the Company's audited consolidated financial statements and recommended that they be included in its Annual Report on Form 10-K for the year ended June 30, 2008, for filing with the Securities and Exchange Commission.

PART IV

Item 15.

Exhibits, Financial Statement Schedules.

a.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2008 AND 2007

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 AND CUMULATIVE LOSSES SINCE INCEPTION MARCH 29, 2005 TO JUNE 30, 2008.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007 AND CUMULATIVE SINCE INCEPTION TO JUNE 30, 2008

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY FOR THE YEAR ENDED JUNE 30, 2008

NOTES TO FINANCIAL STATEMENTS

b.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Incorporation filed for a name change on August 24, 2007 (Filed as part of our Form 10-SB on 11/2/05
3.2	Certificate of Amendment to Articles of Incorporation filed as an exhibit to our Form 8-k filed 8/28//07
3.3	Bylaws filed as an exhibit to our Form 8-k filed on 8/28/07
4.1	20006/07 Stock Incentive and Equity Compensation Plan filed as on exhibit on Form S-8 filed November 8, 2006
4.2	2007/08 Stock Incentive and Equity Compensation Plan filed as an exhibit to our proxy statement on 6/29/07
4.3	Registration Rights Agreement filed as an exhibit to Form 8-k filed 4/6/07
4.4	Warrant Agreement filed as an exhibit to Form 8-k filed 4/6/07

4.5	Broker Warrant Agreement filed as an exhibit to Form 8-k filed 4/6/07
10.1	Option Agreement on San Miguel properties. Filed as an exhibit to Form 10-SB filed on 11/2/05
10.2	Agency Agreement with Blackmont Securities filed as an exhibit to Form 8-k filed 4/6/07
10.3	Agreement of Purchase and Sale between the Company and Tara Gold Resources filed as an exhibit to form 8-k filed 9/2/08
31.1	* Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002
31.2	* Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 .1	* Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32 .2	* Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*

Filed herewith

SIGNATURES

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

PARAMOUNT GOLD AND SILVER CORP.

By: /s/ CHRISTOPHER CRUPI
Christopher Crupi
CEO and Director

Date: September 23, 2008

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ CHRISTOPHER CRUPI Christopher Crupi	Chief Executive Officer/Director	September 23, 2008
/s/ CHARLES REED Charles Reed	Vice President/Director	September 23, 2008
/s/ JOHN CARDEN John Carden	Director	September 23, 2008
/s/ DANIEL HACHEY Daniel Hachey	Director	September 23, 2008
/s/ IAN TALBOT Ian Talbot	Director	September 23, 2008
/s/ MICHEL YVAN STINGLHAMBER Michel Yvan Stinglhamber	Director	September 23, 2008

/s/ROBERT DINNING Robert Dinning	Director	September 23, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Paramount Gold and Silver Corp. as at June 30, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

"Cinnamon Jang Willoughby & Company"

Chartered Accountants

Burnaby, BC

August 31, 2008

MetroTower II - Suite 900 - 4720 Kingsway, Burnaby, BC Canada V5H 4N2. Telephone: +1 604 435 4317. Fax: +1 604 435 4319.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Balance Sheets (Audited)

As at June 30, 2008 and June 30, 2007

(Expressed in United States dollars, unless otherwise stated)

	As at June 30, 2008 (Audited)	As at June 30, 2007 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 3,199,848	$ 16,231,388
Amounts receivable	1,384,492	944,069
Notes Receivable (Note 8)	870,000	
Prepaid and Deposits	379,348	1,741,625
	5,833,688	18,917,082
Long Term Assets		
Mineral properties (Note 6)	4,738,747	3,001,247
Fixed assets (Note 7)	354,996	271,509
GIC Receivable	1,004,897	
	6,098,640	3,272,756
	$ 11,932,328	$ 22,189,838
Liabilities and Shareholder s Equity		
Liabilities		
Current Liabilities		
Accounts payable	$ 1,714,620	$ 779,345

Shareholder s Equity

Capital stock (Note 4)	48,541	46,502
Additional paid in capital	32,604,284	28,742,381
Contributed surplus	13,540,945	10,159,322
Deficit accumulated during the exploration stage	(35,956,085)	(17,546,124)
Cumulative translation adjustment	(19,977)	8,412
	10,217,708	21,410,493
	$ 11,932,328	$ 22,189,838

Commitments (Note 13) Subsequent Events (Note 14)

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Operations (Audited)

For the Year Ended June 30, 2008 and June 30, 2007

(Expressed in United States dollars, unless otherwise stated)

	Year Ended June 30, 2008	Year Ended June 30, 2007	**Cumulative Since Inception March 29, 2005 to June 30, 2008**
Revenue			
Interest Income	$ 457,562	$ 268,605	$ 733,027
Expenses:			
Incorporation Costs			1,773
Exploration	7,575,155	4,359,306	12,468,077
Professional Fees	1,429,979	608,061	2,243,745
Travel & Lodging	429,494	121,065	627,686
Geologist Fees & Expenses	826,504	512,142	1,863,055
Corporate Communications	539,304	228,833	886,598
Consulting Fees	182,357		482,234
Marketing	932,777	89,296	1,095,174
Office & Administration	511,096	233,541	779,513
Interest & Service Charges	11,281	4,326	20,211
Insurance	90,701	55,762	151,363
Amortization	95,627	30,629	130,902
Rent	92,606	93,864	186,470
Financing	93,384		93,384
Miscellaneous	(3,843)	(6,175)	(10,018)
Stock Based Compensation	6,061,101	8,136,795	14,197,896
Write Down of Mineral Property		1,471,049	1,471,049
Total Expense	18,867,523	15,938,494	36,689,112

Net Loss	18,409,461	15,669,889	35,790,554
Other comprehensive loss			
Foreign Currency Translation Adjustment	28,389	(8,412)	19,977
Total Comprehensive Loss for the Period	$ 18,438,350	$ 15,661,477	$ 35,810,531
Basic & Diluted Loss per Common Share	0.38	0.43	
Weighted Average Number of Common Shares Used in Per Share Calculations	47,703,566	36,543,532	

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Cash Flows (Audited)

For the Year Ended June 30, 2008 and June 30, 2007

(Expressed in United States dollars, unless otherwise stated)

	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007	Cumulative Since Inception to June 30, 2008
Operating Activities:			
Net Loss	$ (18,409,961)	$ (15,669,889)	$ (35,956,085)
Adjustment for:			
Amortization	95,627	30,629	130,902
Stock based compensation	6,061,101	8,136,795	14,414,632
Write-down of mineral properties		1,471,049	1,471,049
(Increase) Decrease in accounts receivable	(415,594)	(766,959)	(1,359,663)
(Increase) Decrease in prepaid expenses	(174,298)	(30,668)	(197.926)
Increase (Decrease) in accounts payable	703,254	555,679	1,482,599
Cash used in Operating Activities	(12,139,871)	(6,273,364)	(20,014,492)
Investing Activities:			
Purchase of Mineral Properties	(1,040,308)	(379,495)	(2,874,803)
Purchase of GIC receivable	(1,004,897)		(1,004,897)
Note receivable	(870,000)		(870,000)
Purchase of Equipment	(179,114)	(259,835)	(485,918)

Cash used in Investing Activities		(3,094,319)	(639,330)		(5,235,618)
Financing Activities:					
Increase (decrease) in demand notes payable			(100,000)		105,580
Issuance of capital stock		2,250,000	22,783,467		28,396,904
Cash from Financing Activities:		2,250,000	22,683,467		28,502,484
Effect of exchange rate changes on cash		(47,350)	(5,176)		(52,526)
Increase (Decrease) in Cash		(13,031,540)	15,765,597		3,199,848
Cash, beginning		16,231,388	465,791		
Cash, ending	$	3,199,848	16,231,388	$	3,199,848
Supplemental Cash Flow Disclosure:					
Interest Received	$		4,326	$	7,642
Taxes Paid					
Cash		1,142,600	536,514		1,679,114
Short term investments		2,057,247	15,694,874		17,752,121
Non Cash Transactions (Note 3)					

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

ARAMOUNT GOLD AND SILVER CORP.

An Exploration Stage Mining Company)

Consolidated Statement of Stockholders Equity

For the Year Ended June 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 June 0, 2005	**11,267,726**	**11,268**	**1,755**	**(1,773)**			**11,250**
Capital issued or financing	34,000,000	34,000					34,000
Forward split	45,267,726	45,267	(45,267)				
Returned to reasury	(61,660,000)	(61,660)	61,600				
Capital issued or financing	1,301,159	1,301	3,316,886				3,318,187
Capital issued or services	280,000	280	452,370				452,650
Capital issued or mineral roperties	510,000	510	1,033,286				1,033,796
Fair value of varrants					444,002		444,002
Net Income Loss)				(1,874,462)			(1,874,462
Balance June 0, 2006	**30,966,611**	**30,966**	**4,820,690**	**(1,876,235)**	**444,002**		**3,419,423**
Capital issued or financing	11,988,676	11,990	15,225,207				15,237,197
Capital issued or 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 in 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 June 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					2,911,213		2,911,213
Foreign currency translation						(28,389)	(28,389)
Net Income (loss)				(18,409,961)			(18,409,961)
Balance at June 30, 2008	**48,540,997**	**48,541**	**32,604,284**	**(35,956,085)**	**13,382,573**	**(19,977)**	**10,217,708**

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

(Audited)

For the Year Ended June 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 June 30, 2008, Year 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 June 30, 2008 and the consolidated results of operations and consolidated statements of cash flows for the year ended June 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:

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The 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 Receivable

The GIC Receivable 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 are accounted for at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported net of tax as a component of other comprehensive income within 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 at June 30, 2008, the Company s only component of comprehensive income was foreign currency translation adjustments.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

Long Term Assets

Mineral Properties

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

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 lie 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 year 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 years; and accordingly is offset by a valuation allowance. FIN No.48 prescribes a recognition threshold and measurement attribute for financial statement recognition ad 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.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

Foreign Currency Translation

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

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

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 form 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.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

2.

Principal Accounting Policies: (Continued)

Basic and Diluted Net Loss Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, *Earnings per Share* . SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS give effect to all dilutive potential common shares outstanding during the period using the treasury stock method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive. The basic and diluted EPS has been retroactively restated to take into effect the 2 for 1 stock split that occurred on July 11, 2005.

Concentration of Credit and Foreign Exchange Rate Risk

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

3.

Non-Cash Transactions:

During the years ended June 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 consulting and geological services	$ 1,594,352	$ 7,434,450
From issuance of shares for mineral property	$ 490,000	$ 1,160,000

During the year ended June 30, 2008, the Company issued 770,000 common shares (2007 3,107,500

common shares) in exchanges of services rendered and to be rendered in the subsequent year at trading values ranging between $1.75 and $2.63 per share for total consideration of $1,594,350 (2007 7,434,450), $3,149,888 (2007 - $5,801,455) has been expensed as stock-based compensation. This amount also represents stock-based compensation for shares issued in the prior year, the remaining $77,459 is included in the prepaid expenses as at June 30, 2008 (2007 - $1,632,995).

The company issued 18,519 common shares as payment on the San Miguel property, share issuance was recorded at a trading value of $2.70 for total considerations of $50,000.

The company issued 250,000 common shares as payment on the Elyca property, share issuance was recorded at a trading value of $ 1.76 for total considerations of $ 440,000.

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

4.

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 year ended June 30, 2008 are summarized as follows:

During the year ended June 30, 2008, the Company issued 770,000 common shares (2007 3,107,500 common shares) in exchanges of services rendered and to be rendered in subsequent periods at trading values ranging between $1.75 and $2.63 per share for total consideration of $1,594,350 (2007 7,434,450), $3,149,888 (2007 - $5,801,455) has been expensed as stock-based compensation. This amount also represents stock-based compensation for shares issued in the prior year, the remaining $77,459 is included in the prepaid expenses as at June 30, 2008 (2007 - $1,632,995).

The Company issued 1,000,000 units for cash proceeds of $2,400,000. Each unit consists of one common share of the Company and one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase an additional common share of the Company at a price of $3.25 per share exercisable for a period of two years of issuance.

The company issued 18,519 common shares as payment on the San Miguel property, share issuance was recorded at a trading value of $2.70 for total considerations of $50,000.

The company issued 250,000 common shares as payment on the Elyca property, share issuance was recorded at a trading value of $1.76 for total considerations of $ 440,000.

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

	Exercise price	Number of warrants	Remaining contractual life (years)
Warrants	2.50	1,171,500	0.58
Agent compensation warrants	2.10	623,909	0.75
Warrants	2.90	5,199,248	0.75
Warrants	3.25	1,000,000	1.23
Outstanding and exercisable at June 30, 2008		7,994,657	

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

4.

Capital Stock (Continued):

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

	June 30,	**June 30,**
	2008	**2007**
Risk free interest rate	4.50%	4.68%
Expected dividend yield	0 %	0 %
Expected stock price volatility	62%	75%
Expected life of options	2 years	2 years

5.

Related Party Transactions:

During the year ended June 30, 2008, directors received payments on account of professional fees and reimbursement of expenses in the amount of $437,178 (2007: $1,161,339).

On January 8, 2008, the Company issued 195,000 shares to Directors as compensation at a trading value of $1.98 for a total consideration of $386,100. On January 8, 2008, an officer was awarded 400,000 shares as compensation vesting immediately at a trading value of $792,000.

On December 20, 2007, a director was issued 50,000 shares as compensation at a trading value of 1.75 for a total consideration of $87,500.

During the year ended June 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).

6.

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	$	2,468,832	$	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		
	$	4,738,747	$	3,001,247

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

6.

Mineral Properties (Continued):

a.

Interest in San Miguel Groupings

The Company has exercised its option to acquire up to a 70% interest in the San Miguel Groupings located in near Temoris, Chihuahua, Mexico. The Company s interest in the San Miguel Groupings increased as certain milestones were met as outlined in the table below:

Interest Earned	Cash Payment	Required Exploration Expenditures	Required Share Issuances
35%	$300,000	$	300,000
55%	$	$1,000,000	200,000
70%	$	$1,500,000	200,000

The Company is required to make an additional payment of $50,000 (or equivalent value of the Company s shares) on every anniversary date of the agreement (being August 3, 2005). The company issued 18,519 common shares as payment on the San Miguel property, share issuance was recorded at a trading value of $2.70 for total considerations of $50,000.

To earn its 55% interest in the San Miguel Groupings, the Company spent $1,000,000 on exploration and development prior to February 3, 2007. To increase the interest to 70% the Company spent an additional $1,500,000 prior to February 3, 2008.

As at June 30, 2006, the company has made cash payments of $300,000 and issued 300,000 Rule 144 Restricted Common Shares thus giving the company a 35% interest in the San Miguel Groupings.

As of June 30, 2007, the company has expended more than $2,500,000 on exploration expenditures and issued an additional 400,000 shares at a value of $1,160,000, thereby earning its 70% interest. Upon earning a 70% interest the company is entitled to a 30% reimbursement of exploration expenditures from its joint venture partner (see note 13).

The agreement contains a standard dilution clause where if either participant s interest has been diluted to under 20%, the interest will automatically convert into a 2% NSR and the agreement will become null and void. At any time, the NSR can be reduced to 1% by either party in exchange for a $500,000 payment.

b.

La Blanca

During the year ended June 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.

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Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

6.

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 Gauazapares, State of Chihuahua for a total price of $ 1,000,000. This amount was paid during the year ended June 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.

Garabaldi, Temoris land package

A Letter of Intent was signed on June 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.

PARAMOUNT GOLD AND SILVER CORP.

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Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

7.

Fixed Assets:

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Property and Equipment	$ 485,513	$ 130,517	$ 354,996	$ 271,509

During the year ended June 30, 2008, total additions to property, plant and equipment were $178,730 (2007- $259,834).

8.

Notes Receivable:

Secured convertible debenture from Mexoro Minerals Ltd., issued pursuant to the Letter of Intent dated May 2, 2008, between Mexoro Minerals Ltd. And Paramount Gold and Silver Corp. with respect to the proposed Strategic Alliance between Mexoro and Paramount. The parties agree that Mexoro may defer all interest payments on the secured convertible debenture until September 10, 2008.

	Maturity Date	Interest Rate	2008
Note Receivable - Mexoro Minerals	June 18, 2009	8% per annum	370,000
Note Receivable - Mexoro Minerals	May 7, 2009	8% per annum	500,000

$	870,000

The notes are secured by all of the Mexoro Minerals Ltd and its subsidiaries including Sunburst Mining de Mexico S.A. de C.V. 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.

9.

Income Taxes:

At June 30, 2008, the Company has unused tax loss carry forwards in the United States of $4,403,803 (2007 $1,142,946) expiring between the years 2026 and 2028 which are available to reduce taxable income. As at June 30, 2008 the Company has unused tax loss carry forwards in Mexico and Peru of $16,945,112 (2007 - $7,952,736) which are available to reduce taxable income. The tax effect of the significant components within the Company s deferred tax asset (liability) at June 30, 2008 was as follows:

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

9.

Income Taxes (Continued):

	2008	2007
United States		
Loss carry forwards	1,321,141	347,602
Property, plant and equipment	24,007	2,765
Mexico		
Loss carry forwards	3,673,779	1,208,393
Property, plant and equipment	8,117	4,682
Peru		
Loss carry forwards	1,147,342	1,098,834
Property, plant and equipment	6,452	2,801
Valuation allowance	(6,180,837)	(2,665,077)
Net deferred tax asset	0	0

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

	2008		2007	
	United States	**Peru/Mexico**	**United States**	**Peru/Mexico**
Net Operating Loss	9,356,095	9,053,865	9,185,950	6,483,939
Statutory Tax Rate	30%	29%	30%	29%

Effective Tax Rate				
Expected recovery at statutory rates	2,806,829	2,538,973	2,775,785	1,869,581
Adjustments to benefits resulting from:				
Stock based compensation	(1,818,330)		(2,441,039)	
Valuation allowance	(988,499)	(2,538,973)	(517,100)	(1,943,245)
Provision for income taxes	$Nil	$Nil	$Nil	$Nil

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

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Consolidated financial statements

(Audited)

For the Year Ended June 30, 2008

(Expressed in United States dollars, unless otherwise stated)

10.

Recent Accounting Pronouncements:

(i)

Fair value measurement

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). The Statement provides guidance for using fair value to measure assets and liabilities. The Statement also expands disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurement on earnings.

This Statement applies under other accounting pronouncements that require or permit fair value measurements. This Statement does not expand the use of fair value measurements in any new circumstances. Under this Statement, fair value refers to the price that would sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. SFAS 157 is effective for the Company for fair value measurements and disclosures made by the Company in its fiscal year beginning on January 1, 2008. The Company is currently reviewing the impact of this statement.

(ii)

Employers accounting for defined benefit pension and other postretirement plans

In September 2006, the FASB issued SFAS No. 158, "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158"). SFAS 158 requires an employer that sponsors one or more single-employer defined benefit plans to (a) recognize the overfunded or underfunded status of a benefit plan in its statement of financial position, (b) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS 87, "Employers Accounting for Pensions", or SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", (c) measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end, and (d) disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. SFAS 158 is effective for the Company's fiscal year ending December 31, 2007. The adoption of SFAS No. 158 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

(ii)

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 is effective for the Company at the beginning of fiscal 2009. This statement permits us to choose to measure many financial instruments and certain other items at fair value. Adoption of SFAS 159 on July 1, 2008 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.

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(Audited)

For the Year Ended June 30, 2008

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10.

Recent Accounting Pronouncements (Continued):

(iv)

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 Meredith as of July 1, 2008, and will impact the Company in instances where the Company has contractually agreed to maintain a life insurance policy (i.e., the Company pays the premiums) for an employee in periods in which the employee is no longer providing services. Adoption of this standard is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

(v)

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 years

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 years beginning after December 15, 2008. Adoption of this standard is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

(vii)

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

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11.

Segmented Information: