

PARAMOUNT GOLD & SILVER CORP.  
Form 10-K/A  
May 07, 2009

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

**AMENDMENT NO. 2**

**To**

**FORM 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE**

**ACT OF 1934**

For the fiscal year ended: June 30, 2008

or

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

**ACT OF 1934**

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

**PARAMOUNT GOLD AND SILVER CORP.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

**001-336630**

**20-3690109**

*(State or Other Jurisdiction  
of Incorporation or Organization)*

*(Commission  
File Number)*

*(I.R.S. Employer  
Identification No.)*

**346 Waverley Street Ottawa, Ontario, Canada K2P 0W5**

*(Address of Principal Executive Office) (Zip Code)*

**(613) 226-9881**

*(Registrant's telephone number, including area code)*

**N/A**

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

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

**Title of each class**

**Name of each exchange on which  
registered**

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

**COMMON STOCK**

*(Title of Class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes                        No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes                        No

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

           Yes            No

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

Form 10-K.

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price for such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter as reported by the American Stock Exchange on December 31, 2007 was approximately \$71,000,000.

The number of shares of the Registrant's common stock outstanding as of August 31, 2008 was 48,620,997.

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by

A court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate by check mark the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date: 48,620,997 shares of Common Stock, \$.001 par value as of August 31, 2008.

**DOCUMENTS INCORPORATED BY REFERENCE**

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

None.



This Amended 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 Amended 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.

#### **EXPLANATORY NOTE**

Paramount Gold and Silver Corp. is filing this Amendment No. 2 to its Annual Report on Form 10-K for the fiscal year ended June 30, 2008, as filed with the U.S. Securities and Exchange Commission on September 25, 2008. This Amendment No. 2 is being filed to amend and restate the information provided under Part II, Item 5, Market for Common Equity and Related Stockholder Matters as well as a clarification of the report filed by the Company's Independent Registered Public Accounting Firm.

This Amendment No. 2 does not affect the original financial statements or footnotes as originally filed.

This Amendment No. 2 does not reflect events that have occurred after the original filing of the Annual Report.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as a result of this Amendment No. 2, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed and furnished respectively, as exhibits to the original filing, have been amended and refiled as of the date of this Amendment No. 2 and are included as Exhibits 31.2, 31.2, 32.1 and 32.2 hereto.

This Amendment No. 2 should be read in conjunction with the original filing of our Annual Report for the period ended June 30, 2008, and our other filings made with the Securities and Exchange Commission subsequent to the filing of the original Annual Report filed on Form 10-K.



**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:

	<b>HIGH</b>	<b>LOW</b>
<b>Fiscal year ended June 30, 2008</b>		
Quarter ended September 30, 2007	\$3.00	\$2.13
Quarter ended December 31, 2007	\$2.57	\$1.70
Quarter ended March 31, 2008	\$2.56	\$1.81
Quarter ended June 30, 2008	\$1.99	\$1.38
<b>Fiscal year ended June 30, 2007</b>		
Quarter ended September 30, 2006	\$3.20	\$1.80
Quarter ended December 31, 2006	\$2.57	\$1.95
Quarter ended March 31, 2007	\$3.04	\$2.07
Quarter ended June 30, 2007	\$3.04	\$2.13

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:

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

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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;

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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

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

**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.



**PART IV**

**Item 15.**

**Exhibits, Financial Statement Schedules.**

a.

The following report and financial statements are filed together with this Amendment No. 2 to the 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

- |             |  |
|-------------|--|
| <u>31.1</u> | Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002    |
| <u>31.2</u> | Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002     |
| <u>32.1</u> | Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| <u>32.2</u> | Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |



**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: May 6, 2009

**POWER OF ATTORNEY**

By signing this Amendment Number 2 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 amended 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.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ CHRISTOPHER CRUPI Christopher Crupi	Chief Executive Officer/Director	May 6, 2009
/s/ CHARLES REED Charles Reed	Vice President/Director	May 6, 2009
/s/ JOHN CARDEN John Carden	Director	May 6, 2009
/s/ MICHEL YVAN STINGLHAMBER Michel Yvan Stinglhamber	Director	May 6, 2009
/s/ ROBERT DINNING Robert Dinning	Director	May 6, 2009
/s/ RUDI P. FRANK Rudi P. Frank	Director	May 6, 2009

May 6, 2009

/s/ ELISEO GONZALEZ-URIEN      Director  
Eliseo Gonzalez-Urien

**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 and from the date of inception (March 29, 2005) through June 30, 2008. 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 and from the date of inception (March 29, 2005) through June 30, 2008 in conformity with generally accepted accounting principles in the United States of America.

*Cinnamon Jang Willoughby & Company*

Chartered Accountants

Burnaby, BC, Canada

August 31, 2008

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

HLB Cinnamon Jang Willoughby & Company is a member of International. A world-wide organization of accounting firms and business advisors

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**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)

	<b>As at June 30,</b>	As at June 30,
	<b>2008 (Audited)</b>	2007 (Audited)
<b>Assets</b>		
<b>Current Assets</b>		
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
	<b>5,833,688</b>	<b>18,917,082</b>
<b>Long Term Assets</b>		
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
	<b>\$ 11,932,328</b>	<b>\$ 22,189,838</b>
<b>Liabilities and Shareholder's Equity</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
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)

	<b>Year Ended June 30, 2008</b>	<b>Year Ended June 30, 2007</b>	<b>Cumulative Since Inception March 29, 2005 to June 30, 2008</b>
<b>Revenue</b>			
Interest Income	\$ 457,562	\$ 268,605	\$ 733,027
<b>Expenses:</b>			
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

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

	<b>For the</b>	For the	Cumulative
	<b>Year Ended</b>	Year Ended	Since Inception
	<b>June 30,</b>	June 30,	to June 30,
	<b>2008</b>	2007	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
<b>Non Cash Transactions (Note 3)</b>			

*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 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
<b>Balance at inception</b>		\$	\$	\$	\$	\$	\$
<b>Balance June 30, 2005</b>	<b>11,267,726</b>	<b>11,268</b>	<b>1,755</b>	<b>(1,773 )</b>			<b>11,250</b>
Capital issued for financing	34,000,000	34,000					34,000
Forward split	45,267,726	45,267	(45,267 )				
Returned to treasury	(61,660,000 )	(61,660 )	61,600				
Capital issued for financing	1,301,159	1,301	3,316,886				3,318,187
Capital issued for services	280,000	280	452,370				452,650
Capital issued for mineral properties	510,000	510	1,033,286				1,033,796
Fair value of warrants					444,002		444,002
Net Income (Loss)				(1,874,462 )			(1,874,462 )
<b>Balance June 30, 2006</b>	<b>30,966,611</b>	<b>30,966</b>	<b>4,820,690</b>	<b>(1,876,235 )</b>	<b>444,002</b>		<b>3,419,423</b>
Capital issued for financing	11,988,676	11,990	15,225,207				15,237,197
Capital issued for services	3,107,500	3,107	7,431,343				7,434,450

Capital issued for mineral properties	400,000	400	1,159,600				1,160,000
Capital issued 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)
<b>Balance at June 30, 2007</b>	<b>46,502,478</b>	<b>46,502</b>	<b>28,742,381</b>	<b>(17,546,124)</b>	<b>10,159,322</b>	<b>8,412</b>	<b>21,410,493</b>

*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)

	<b>Shares</b>	<b>Par Value</b>	<b>Capital in Excess of Par Value</b>	<b>Accumulated Earnings (Deficiency)</b>	<b>Contributed Surplus</b>	<b>Cumulative Translation Adjustment</b>	<b>Total Stockholders Equity</b>
<b>Balance at June 30, 2007</b>	<b>46,502,478</b>	<b>46,502</b>	<b>28,742,381</b>	<b>(17,546,124 )</b>	<b>10,159,322</b>	<b>8,412</b>	<b>21,410,493</b>
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 )
<b>Balance at June 30, 2008</b>	<b>48,540,997</b>	<b>48,541</b>	<b>32,604,284</b>	<b>(35,956,085 )</b>	<b>13,382,573</b>	<b>(19,977 )</b>	<b>10,217,708</b>



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

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**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 life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

**Fixed Assets**

Property and equipment are recorded at cost and are amortized over their estimated useful lives at the following annual rates, with half the rate being applied in the 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 and measurement of tax positions taken into in tax returns.

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

**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 from region to region and are not predictable.

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

**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:

	<b>Exercise price</b>	<b>Number of warrants</b>	<b>Remaining contractual life (years)</b>
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	

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**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.

	<b>June 30,</b>	<b>June 30,</b>
	<b><u>2008</u></b>	<b><u>2007</u></b>
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:

	<b>2008</b>		<b>2007</b>
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:

<b>Interest Earned</b>	<b>Cash Payment</b>	<b>Required Exploration Expenditures</b>	<b>Required Share Issuances</b>
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.**

(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):**

**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.**

**Garibaldi, 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.**

(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)

7.

**Fixed Assets:**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	
			<b>2008</b>	<b>2007</b>
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.

	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>2008</b>
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:

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(Expressed in United States dollars, unless otherwise stated)

**9.****Income Taxes (Continued):**

	<b>2008</b>	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:

	<b>2008</b>		2007	
	<b>United States</b>	<b>Peru/Mexico</b>	<b>United States</b>	<b>Peru/Mexico</b>
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.

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**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.

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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:

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

Loss for the year by geographical segment for the year ended June 30, 2008:

	<b>United States</b>	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
Interest income	\$ 454,241	\$	\$ 3,322	\$ 457,562
Expenses:				
Exploration (note 15)	(869,376 )	(54,597 )	8,499,128	7,575,154
Professional fees	1,357,218		416	1,357,634
Travel and lodging	429,494			429,494
Geologist fees and expenses	436,954	81,002	308,548	826,504
Corporate communications	539,304			539,304
Consulting fees	182,357			182,357
Marketing	932,777			932,777
Office and administration	366,628	135,180	13	501,821
Interest and service charges	7,752	109	3,420	11,281
Franchise taxes	9,275			9,275
Insurance	68,222		22,479	90,701
Legal fees- Mexoro	27,396			27,396

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DTC expenses	44,949			44,949
Amortization	34,137	32,854	28,635	95,627
Rent	92,606			92,606
Financing	93,384			93,384
Miscellaneous	(3,843 )			(3,843 )
Stock based compensation	6,061,101			6,061,101
Total Expenses	9,591,964	194,547	8,697,109	18,701,992
Net loss	\$ 9,356,096	\$ 194,547	\$ 8,859,318	\$ 18,409,961

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(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)

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

Loss for the year by geographical segment for the year ended June 30, 2007:

	<b>United States</b>	<b>Peru</b>	<b>Mexico</b>	<b>Total</b>
Interest income	\$ 223,150	\$	\$ 45,455	\$ 268,605
Expenses:				
Exploration	23,882	1,127,163	3,208,261	4,359,306
Professional fees	542,724	5,584	59,753	608,061
Travel and lodging	118,487	2,578		121,065
Geologist fees and expenses		16,306	495,836	512,142
Corporate communications	228,833			228,833
Consulting fees				
Marketing	89,254	42		89,296
Office and administration	98,627	124,445	10,469	233,541
Interest and service charges	2,874	65	1,387	4,326
Insurance	55,762			55,762
Amortization	24,173	6,107	349	30,629
Rent	93,864			93,864
Miscellaneous	(6,175 )			(6,175 )
Stock Based Compensation	8,136,795			8,136,795
Write-down of Mineral Properties		1,271,600	199,449	1,471,049

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Total expenses	9,409,100	2,553,890	3,975,504	15,938,494
Net loss	\$ 9,185,950	\$ 2,553,890	\$ 3,930,049	\$ 15,669,889

Assets by geographical segment:

	United States	Peru	Mexico	Total
<b>June 30, 2008</b>				
Mineral properties		10,000	4,728,747	4,738,747
Equipment	146,081	80,118	128,797	354,996
<b>June 30, 2007</b>				
Mineral properties		10,000	2,991,246	3,001,246
Equipment	64,922	141,392	65,195	271,509

**PARAMOUNT GOLD AND SILVER CORP.**

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**(Audited)**

**For the Year Ended June 30, 2008**

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**12.**

**Employee Stock Option Plan:**

On August 23, 2007, the board and shareholders approved the 2007/08 Stock Incentive & Compensation Plan thereby reserving 4,000,000 common shares for issuance to employees, directors and consultants. On August 23, 2007, the board of directors granted 1,615,000 common stock options to directors and officers exercisable immediately at \$2.42 each for a term of five years.

During the year ended June 30, 2008, the board granted 1,674,500 stock options to consultants as follow:

.  
150,000 common stock options exercisable until November 29, 2011, at a price of \$3.15;

.  
62,500 stock options exercisable until September 30, 2009, at a price of \$2.50;

.  
1,342,000 stock options exercisable until December 31, 2009, at a price of \$2.50. Of this grant, 25,000 options were cancelled due to termination of contract and 15,000 options are exercisable until February 11, 2009, due to death of optionee;



50,000 stock options exercisable until March 1, 2013, at a price of \$2.25;

10,000 stock options exercisable until March 31, 2010, at a price of \$2.50

During the year 30,000 stock options from the 2006/2007 grant were cancelled due to the resignation of the optionee.

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

	<b>Number</b>	<b>Weighted Avg. Exercise Price</b>
Balance, beginning of year	1,620,000	\$2.24
Granted	1,615,000	\$2.42
Granted	150,000	\$3.15
Granted	62,500	\$2.50
Granted	1,342,000	\$2.50
Granted	50,000	\$2.25
Granted	10,000	\$2.50
Expired on cancelled	(115,000)	\$2.37
Balance, end of period	4,734,500	\$2.43

At June 30, 2008, there were 4,734,500 exercisable options outstanding.

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**(Audited)**

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**12.**

**Employee Stock Option Plan (Continued):**

**Stock Based Compensation**

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

	<b><u>2008</u></b>
Risk free interest rate	4.50%
Expected dividend yield	0%
Expected stock price volatility	62%
Expected life of options	2 to 5 years

The grant-date fair value of options granted during the year ended June 30, 2008 was between \$0.45 -\$1.03.

Total stock-based compensation related to the issuance of options for the year ended June 30, 2008 was \$2,911,213.

**13.**

**Commitments:**

**a.**

**Premises Lease**

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

**b.**

**Letter of Intent**

Paramount has signed a Letter of Intent to enter into a strategic alliance with Mexoro Minerals Ltd. The strategic alliance contemplates both companies combining their mining and exploration expertise including resources such as management, personnel, exploration equipment and mining concessions to maximize shareholder value creating an exciting alignment of interest between the companies. Both companies operate projects in the Sierra Madre gold-silver belt in Chihuahua, Mexico.

The agreement calls for Paramount to invest a minimum of \$4 million and maximum of \$6 million into Mexoro, fixed at a price of \$0.50 per unit by August 5, 2008. Each unit will consist of 1 common share of Mexoro and one half warrant to purchase additional common shares at a price of \$0.75 per share exercisable immediately for a period of four years from closing. Should Paramount subscribe for the maximum, it would receive 12 million shares and 6 million warrants in the offering. The closing price of Mexoro shares quoted on the OTCBB on May 2, 2008 was \$0.59 per share.

Subsequent to the year end, the Company terminated the Letter of Intent with Mexoro Minerals Ltd.

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**14.**

**Subsequent Events:**

(i)

On August 7, 2008 the company completed a private placement financing of 1,071,429 common shares priced at \$1.40 per unit (all funds in CDN dollars) for proceeds of \$1.5 million. Each share consists of one common share and one half common share purchase warrant with a strike price of \$2.10 and an expiry of one year or at a strike price of \$2.50 and an expiry of two years.

(ii)

Subsequent to year end the company signed an agreement to purchase all of the rights to the and interest to Tara Gold Resources Inc's 30% share of the San Miguel Joint Venture, including the area of mutual interest agreement. The consideration was the issuance of 7,350,000 restricted common shares of Paramount Gold & Silver Corp. The 30% interest will be recorded as an asset based on the average closing price per share of the company's stock price for the twenty consecutive trading days ending August 21, 2008. Cash consideration in the amount of approximately \$ 10,000 US (100,000 pesos plus 15% tax) is also to be paid. All amounts receivable from Tara Gold Resources Inc. will be forgiven as soon as all conditions of the agreement have been satisfied. (See note 15)

**15.**

**Unrecorded Accounts Receivable:**

The Company has not recorded amounts receivable from Tara Gold Resources Corp. (formerly American Stellar Energy ) on account of its share of expenditures on the San Miguel project. A balance of \$ 1,005,900 is owed at June

30, 2008. As collection is not reasonably assured, the Company has not recognized any recovery. The amount will be recorded as a recovery of exploration expenditures in the period received.

During the year ended June 30, 2008 the company recorded recoveries of \$2,804,953 (2007 - \$Nil). This amount has been recorded against exploration expenses; total exploration expenses before recoveries are \$10,214,576 for the year ended June 30, 2008.

**16.**

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

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States ( US GAAP ). Set out below are the material adjustments to net loss for the years ending June 30, 2008 and 2007 and to shareholders' equity at June 30, 2008 and 2007 in order to conform to accounting principles generally accepted in Canada ( Canadian GAAP ).

<b>Statement of Loss</b>	<b>Year ended June 30, 2008</b>	<b>Year ended June 30, 2007</b>
Net loss based on US GAAP	\$ (18,409,961 )	\$ (15,669,889 )
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 16a)	8,004,289	2,919,675
Net loss for the year based on Canadian GAAP	(10,405,672 )	(12,750,214 )

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

<b>Stockholders Equity</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Stockholders Equity based on US GAAP	\$ 10,217,708	\$ 21,410,493
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 16a)	10,923,964	2,919,675
Stockholders Equity based on Canadian GAAP	21,141,672	24,330,168

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

<b>Mineral Properties</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
US GAAP	\$ 4,738,747	\$ 3,001,247
Deferred exploration costs prior to the establishment of proven and probable reserves (Note 16a)	10,923,964	2,919,675
Canadian GAAP	15,662,711	5,408,780

(a) Interest in Exploration Properties and Deferred Exploration Costs

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

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

(b) Statement of Cash Flows

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

	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Cash used in operating activities	\$ ( 4,135,582 )	\$ (3,353,689 )
Cash used in investing activities	(11,098,608 )	(3,559,005 )



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**16.**

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

(c) Recent Accounting Pronouncements

International Financial Reporting Standards ( IFRS )

In 2006, the Canadian Accounting Standards Board ( AcSB ) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In

February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

:

Capital Disclosures

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

## Disclosure and Presentation of Financial Instruments

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

## Goodwill and Intangible Assets

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