

PARAMOUNT GOLD & SILVER CORP.  
Form DEF 14A  
January 08, 2009

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by Registrant      ☐

Filed by Party other than Registrant      ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

Confidential, for Use of the  
Commission

Only (as permitted by Rule  
14a-6(e)(2))

☒ Definitive Proxy Statement

Definitive Additional Materials

Soliciting Materials Pursuant to §240.14a-12

**PARAMOUNT GOLD AND SILVER CORP.**

*(Name of Registrant as Specified In Its Charter)*

*(Name of Person(s) Filing Proxy Statement, if other than the Registrant)*

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (4) Proposed maximum aggregate value of transaction:
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- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

**PARAMOUNT GOLD AND SILVER CORP.**

**346 Waverley Street**

**Ottawa, Ontario Canada K2P OW5**

**613-226-9881**

**Notice of Annual Meeting of Stockholders**

Dear Shareholders:

January 8, 2009

The annual meeting of stockholders of Paramount Gold and Silver Corp., a Delaware corporation, will be held on February 24, 2009 located at 2600 North Military Trail Suite 270 Boca Raton, Florida 33431 8:30 a.m. local time.

In addition to the formal items of business, I will be available at the meeting to answer your questions. This booklet includes the notice of annual meeting and the proxy statement. The proxy statement describes the business that we will conduct at the meeting, and provides information about our company. You do not need to attend the meeting to participate. However, we urge you to read this information carefully and in its entirety.

Your vote is important. Whether or not you plan to attend the annual meeting, please complete, date, sign and return the enclosed proxy card promptly. If you attend the meeting and prefer to vote in person, you may do so.

Information concerning the matters to be acted upon at the meeting is set forth in the accompanying Proxy Statement. Stockholders of record as of the close of business on January 2, 2009 are entitled to notice of, and to vote at, the meeting.

We look forward to seeing you at the meeting.

Very truly yours,

Christopher Crupi

Chief Executive Officer

**PARAMOUNT GOLD AND SILVER CORP.**

**346 Waverley Street**

**Ottawa, Ontario Canada K2P OW5**

**613-226-9881**

**Notice of Annual Meeting of Shareholders**

To the shareholders of Paramount Gold and Silver Corp.

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of PARAMOUNT GOLD AND SILVER CORP. will be held on February 24, 2009 at 8:30 a.m. local time at 2600 North Military Trail Suite 270 Boca Raton, Florida 33431 for the following purposes, as further described in the accompanying proxy statement:

1. Elect directors, each to serve such term as set forth herein or until his successor has been duly elected and qualified;
2. Ratify the appointment of HLB Cinnamon Jang Willoughby & Company as our independent certified public accountants;
3. Amend our certificate of incorporation to increase the number of authorized shares of common stock from one hundred million to two hundred million shares \$0.001 par value. ;
4. Ratification of our 2008/09 Stock Incentive and Equity Compensation Plan
5. Ratify a proposal approved by our Board of Directors to amend all outstanding stock options to reduce the exercise price of all outstanding stock options so that the strike price of the outstanding options will be the greater of \$.50 per share or the current fair market value of the Company's common stock, whichever is greater, at the effective date of the grant of the new options. We will only reduce the exercise price of outstanding options for those individuals who are currently employed with the Company.
6. Transact any other business that may properly be presented at the annual meeting or any adjournment thereof.

If you were a shareholder of record at the close of business on January 2, 2009 you may vote at the annual meeting. A complete list of these shareholders will be open for the examination of any shareholder of record present at the annual meeting. The annual meeting may be adjourned or postponed from time to time without notice other than by announcement at the meeting.

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ENVELOPE PROVIDED.**

By order of the Board of Directors



**PARAMOUNT GOLD AND SILVER CORP.**

**346 Waverley Street**

**Ottawa, Ontario Canada K2P OW5**

**613-226-9881**

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**PROXY STATEMENT**

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This proxy statement contains information related to the annual meeting of stockholders of Paramount Gold and Silver Corp., a Delaware corporation, to be held on February 24, 2009 at 8:30 a.m., local time, at 2600 North Military Trail, Suite 270 Boca Raton, Florida 33431. In this proxy statement, Paramount, Company, we, us and our refer to Paramount Gold and Silver Corp.

This proxy statement and the accompanying form of proxy are first being mailed to our shareholders on or about January 14, 2009.

**Information About the Annual Meeting and Voting**

**Why did you send me this proxy statement?**

We sent you this proxy statement and the enclosed proxy card because the board of directors of PARAMOUNT is soliciting your proxy vote at the annual meeting of shareholders. This proxy statement summarizes information on the proposals to be considered at the annual meeting. However, you do not need to attend the annual meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

**Who is eligible to attend the annual meeting and vote?**

Shareholders of record on January 2, 2009 (the Record Date) are entitled to attend and vote at our annual shareholders meeting.

**How many votes do I have?**

Shareholders who own our common stock at the close of business on January 2, 2009 are entitled to one vote for each share of common stock they held on that date in all matters properly brought before the annual meeting. As of January 2, 2009, we had 61,316,551 shares of common stock issued and outstanding.

**What proposals will be addressed at the annual meeting?**

We will address the following proposals at the annual meeting:

1. Elect directors, each to serve such term as set forth herein or until his successor has been duly elected and qualified;
2. Ratify the appointment of HLB Cinnamon Jang Willoughby & Company as our independent certified public accountants;

3. Amend our certificate of incorporation to increase the number of authorized shares of our common stock;
4. Ratification of our 2008/09 Stock Incentive and Equity Compensation Plan
5. Ratify a proposal whereby the exercise price of all outstanding common stock options will be repriced to equal the greater of \$.50 per share or the price of our common stock on the date in which the common stock options are repriced by our Board of Directors. We will not reduce the exercise price for any individuals not currently employed by the Company.
6. Transact any other business that may properly be presented at the annual meeting or any adjournment thereof.

### **Why would the annual meeting be postponed?**

The annual meeting will be postponed if a quorum is not present on the date of the annual meeting. One third of the votes entitled to be cast on the matter by a voting group, represented in person or by proxy, constitutes a quorum of that voting group for the action on the matter. If a quorum is not present, the annual meeting may be postponed to a later date when a quorum is obtained.

For purposes of determining whether the shareholders have approved matters other than the election of directors, abstentions are treated as shares present or represented and voting, so abstaining has the same effect as a negative vote. Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers are not counted or deemed to be present or represented for the purpose of determining whether shareholders have approved that matter, but they are counted as present for the purposes of determining the existence of a quorum at the annual meeting.

### **How do I vote in person?**

If you plan to attend on the date of the annual meeting, or at a later date if it is postponed, and vote in person, we will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a power of attorney executed by the broker, bank or other nominee that owns the shares of record for your benefit, authorizing you to vote the shares.

### **How do I vote by proxy?**

Returning the proxy card will not affect your right to attend the annual meeting and vote in person. If you properly fill in your proxy card and send it to us in time to vote, your proxy (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by our board of directors as follows:

**For** the election of directors

**For** the appointment of HLB Cinnamon Jang Willoughby & Company

**For** the increase in the number of authorized shares of common stock

**For** the adoption of the 2008//09 Stock Incentive and Equity Compensation Plan

**For** the adoption of a resolution to reset the exercise price of all outstanding common stock purchase options for current employees and directors.

If any other matter is presented, your proxy will vote in accordance with his best judgment. At the time this proxy statement went to press, we knew of no matters that needed to be acted on at the annual meeting other than those discussed in this proxy statement.

### **May I revoke my proxy?**

If you give a proxy, you may revoke it at any time before it is exercised. You may revoke your proxy in any one of three ways:

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You may send in another proxy with a later date.

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You may notify us in writing (by you or your attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal, by an officer or attorney of the corporation) at our principal executive offices before the annual meeting, that you are revoking your proxy.

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You may vote in person at the annual meeting.

**Where are PARAMOUNT's principal executive offices?**

Our principal executive offices are located at 346 Waverley Street, Ottawa, Ontario Canada K2P OW5. Our telephone number is (613) 226-9881.

**What vote is required to approve each proposal?**

***Proposal 1: Election of directors***

The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "Withhold authority" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

***Proposal 2: Ratification of the independent accountants***

Proposal 2 will be approved if the votes cast favoring Proposal 2 exceed the votes cast against it at the annual meeting at which a quorum is present and voting, in person or by proxy.

***Proposal 3: Amend our Certificate of Incorporation to increase the number of authorized shares of common stock.***

Proposal 3 will be approved if the holders owning a majority of our issued and outstanding shares of common stock on the Record Date approve the amendment either in person or by proxy.

***Proposal 4: Ratification of our 2008/09 Stock Incentive and Equity Compensation Plan.***

Proposal 4 will be approved if the holders owning a majority of our issued and outstanding shares of common stock on the Record Date, either in person or via proxy ratify the Equity Compensation Plan.

***Proposal 5: Ratification of a proposal by our Board of Directors to reset the exercise price of all outstanding common stock option.***

Proposal 5 will be approved if the holders owning a majority of our issued and outstanding shares of common stock on the Record Date, either in person or via proxy ratify the proposal.

**Are there any dissenters' rights of appraisal?**

Our board of directors has not proposed any action for which the laws of the State of Delaware, or our articles of incorporation or bylaws provide a right of a shareholder to dissent and obtain payment for shares.

**Who bears the cost of soliciting proxies?**

We will bear the cost of soliciting proxies in the accompanying form and will reimburse brokerage firms and others for expenses involved in forwarding proxy materials to beneficial owners or soliciting their execution. We estimate that the costs associated with solicitations of the proxies requested by this proxy statement will be approximately \$20,000.

We filed our 2008 annual report on Form 10-K with the Securities and Exchange Commission, also referred to herein as the "SEC," on September 25, 2008. We also filed, on November 14, 2008, our quarterly report on Form 10-Q. These reports, together with other corporate filings are available for your review on the Internet by visiting the SEC's website located at [www.sec.gov](http://www.sec.gov). Copies of any reports, including exhibits, will be furnished to shareholders upon written request. All written requests should be directed to: Christopher Crupi, Paramount Gold and Silver Corp. 346 Waverley Street Ottawa, Ontario Canada K2P 0W5.

We are subject to the informational requirements of the Securities Exchange Act of 1934, also referred to herein as the Exchange Act, which requires that we file reports, proxy statements and other information with the SEC. The SEC

maintains a website on the Internet that contains reports, proxy and information statements and other information regarding registrants, including PARAMOUNT, that file electronically with the SEC. The SEC's website address is [www.sec.gov](http://www.sec.gov). In addition, our Exchange Act filings may be inspected and copied at the public reference facilities of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. Copies of the material may also be obtained upon request and payment of the appropriate fee from the Public Reference Section of the SEC located at 100 F Street, N.E., Washington, D.C. 20549.

### **Information about Our Voting Securities and Principal Holders Thereof**

#### **Our voting securities and determination of beneficial ownership**

Our common stock constitutes our only voting securities. As of the Record Date, we had 61,316,551 shares of common stock issued and outstanding.

**MATTERS RELATED TO OUR EXECUTIVE OFFICERS,  
DIRECTORS AND COMPENSATION**

**Executive Officers and Directors**

Our executive officers and directors are:

| <b>Name</b>              | <b>Age</b> | <b>Position</b> | <b>Held Since</b> |
|--------------------------|------------|-----------------|-------------------|
| Christopher Crupi        | (39)       | CEO/Dir         | 2005              |
| Charles W. Reed          | (65)       | VP/Director     | 2005              |
| Daniel Hachey            | (49)       | Director        | 2006              |
| Dr. John Carden          | (60)       | Director        | 2006              |
| Michel Yvan Stinglhamber | (75)       | Director        | 2007              |
| Ian Talbot               | (49)       | Director        | 2007              |
| Robert Dinning           | (69)       | Director        | 2008              |
| Lucie Letellier          | (48)       | CFO             | 2007              |
| Michael Clancy           | (43)       | Secretary       | 2007              |

**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. Mr. Crupi is also a director of Industrial Minerals Inc., an OTC traded company.

**Charles W. 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. and Rimfire Minerals Corporation, both TSX Exchange listed junior mineral exploration companies. In addition, effective November 1, 2008, Mr. Talbot became the Chief Operating Officer for Strategic Metals Ltd., Atac Resources Ltd. and Rockhaven Resources Ltd., all junior mineral exploration companies listed on the TSX Venture Exchange.

Between 2002 and 2006, Mr. Talbot was employed by BHP Billiton World Exploration Inc. as senior legal counsel. Prior to joining BHP Billiton, Mr. Talbot practiced mining and securities law with several Vancouver, British Columbia based law firms. He received a Bachelor of Laws degree from the University of British Columbia in 1989 and a Bachelor of Science (geology) degree 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, Chief Executive Officer, Secretary and as a director of Industrial Minerals Inc., an Ottawa, 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.

**SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of shares of our common stock as of January 2, 2009, on which date there were 61,316,551 shares outstanding, inclusive of any shares which could be exercised pursuant to any options or warrants owned by the named individual, by each person known by us to beneficially own 5% or more of the outstanding shares of such class of stock, based on filings with the Securities and Exchange Commission and certain other information, each of our named executive officers and directors, and all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power. In addition, under SEC rules, a person is deemed to be the beneficial owner of securities, which may be acquired by such person upon the exercise of options and warrants or the conversion of convertible securities within 60 days from the date on which beneficial ownership is to be determined.

Except as otherwise indicated in the notes to the following table, we believe that all shares are beneficially owned, and investment and voting power is held by the persons named as owners:

| <b>Name</b>                                          | <b>No. of Shares of<br/>Common Stock (1)</b> | <b>Percent of<br/>Class</b> |
|------------------------------------------------------|----------------------------------------------|-----------------------------|
| Christopher Crupi                                    | 4,023,900                                    | 6.56%                       |
| Sprott Asset Management<br>Inc.                      | 3,642,000                                    | 5.93%                       |
| Libra Advisors Inc.                                  | 3,571,500                                    | 5.82%                       |
| Charles W. Reed                                      | 1,306,000                                    | 2.13%                       |
| 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                                      | *                           |
|                                                      | 65,000                                       | *                           |
| Robert Dinning                                       |                                              |                             |
| Tara Gold Resources, Corp.                           | 7,350,000                                    | 11.98%                      |
| Mineral Fields Group                                 | 7,272,726                                    | 11.86%                      |
| (All officers and directors<br>as a group 8 persons) | 6,858,360                                    | 10.94%                      |

\*

Less than 1%

(1)

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 January 2, 2009. As of January 2, 2009, there were 61,316,551 shares of our common stock issued and outstanding.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than ten percent of our Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock.

To our knowledge based solely on a review of the copies of such reports furnished to us and the reporting persons' representations to us that no other reports were required during the year ended June 30, 2008 and through the period ended September 30, 2008 and that our directors and officers complied with their respective filing requirements under Section 16(a) on a timely basis.

## **MATTERS RELATING TO OUR GOVERNANCE**

### **The Board and its Committees**

Our Board currently consists of seven directors. They are Christopher Crupi, Charles Bill Reed, Dr. John Carden, Daniel Hachey, Michel Yvan Stinglhamber, Ian Talbot and Robert Dinning. The Board has determined that Dr. John Carden, Michel Yvan Stinglhamber, Ian Talbot and Robert Dinning are independent directors having satisfied the independence requirements pursuant to the non-employee director definition of rule 16b-3 promulgated under section 16 of the Securities Exchange Act of 1934, as amended and National Instrument 58-101 of the Canadian Securities Administrators ( CSA ).

During our last fiscal year, our Board of Directors met a total of 32 times. Each of our directors attended no less than 75% of our director meetings and no less than 75% of any committee meetings on which they serve. Although we do not have a formal policy regarding attendance by members of the Board at our annual meeting of stockholders, we encourage directors to attend and historically more than a majority have done so either in person or made themselves available telephonically.

The Board has three standing committees: an Audit Committee, a Compensation Committee, and Nominating Committee. A minimum of three Board members serve on each committee. Membership on the various committees is as follows:

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Audit Committee: Robert Dinning (chairman), Michel Stinglhamber, Ian Talbot and John Carden

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Compensation Committee: Ian Talbot (chairman), Daniel Hachey and John Carden

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Nomination Committee: Ian Talbot (chairman) Michel Stinglhamber and Daniel Hachey

Each of the committees has met throughout the year to review matters within each committee's jurisdiction as more fully set forth below.

Our audit committee met a total of 6 times during the last fiscal year.

Our nominating committee met a total of 3 times during the last fiscal year

Our compensation committee met a total of 2 times during the last fiscal year.

Copies of the charters of each of these committees are available on the Company's website located at [www.paramountgold.com](http://www.paramountgold.com).

The Audit Committee oversees the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The audit committee has the sole authority to retain and terminate the independent registered public accounting firm that examines our financial statements.

The primary purpose of the Compensation Committee is to review, on an annual basis or more frequently as it deems appropriate, the performance of our executive officers, review the amount and form of compensation payable to our executive officers and report to the Board on an annual basis, making recommendations regarding compensation of our executive officers. In addition, the Compensation Committee administers our equity compensation plans.

The primary purpose of the Nominating Committee is to identify and recommend individuals qualified for nomination to serve on our Board. Some of the criteria which we deem important to the nomination process include: work experience, reputation, ability to interact with current board members, availability for meetings and for general corporate input.

## **Code of Ethics**

The Board has adopted a Code of Ethics that applies to all our directors and employees, including our principal executive officer and principal financial officer. A copy of the Code is currently available on our website at [www.paramountgold.com](http://www.paramountgold.com).

## **THE BOARD, ITS COMMITTEES AND ITS COMPENSATION**

### **The Board of Directors**

The Board currently consists of seven directors. Four of the directors are independent directors and satisfy all criteria to meet the independence standard. Following the Meeting, the Board will again consist of seven members, four of whom will be independent.

### **Director Compensation**

Our policy with respect to director compensation is similar to our compensation policy which we apply to our executive officers. Specifically, we try to utilize equity based compensation packages to. We grant equity-based compensation to consultants, employees, including the executive officers, to attract, motivate, engage and retain highly qualified directors. We do provide nominal cash compensation to one of our directors who devotes significant time and efforts to our operations. In addition, in the case where a director provides extraordinary services, such as in connection with securing corporate financing, a director will be compensated accordingly.

In the case of Mr. Stinglhamber, we pay him a nominal salary to compensate him for his numerous trips to our mining projects and his efforts to locate additional drilling sites. While we have classified this as a salary expense, a significant portion of this salary is attributable to unreimbursed out of pocket expenses. We will also provide cash compensate to directors who identify potential funding sources, participate in negotiating the transaction and working with our investment bankers to finalize significant financings. As indicated in the table below, we paid Mr. Hachey a cash fee of \$870,000 in connection with our financing in March 2007 totalling approximately \$21.7 million.

Our Compensation Committee also determined that board members should be treated equally. That each board member brings unique talents to the Board and that by authorizing disproportionate compensation to the various board members would create dissention and ultimately hinder the Company's growth. (Different levels of stock based compensation as set forth in the table below were based on the value of our common stock on the date of grant and represents a one-time payment in consideration for their services on the Board of Directors. Similarly, the Nominating Committee felt that depending upon the length of service to the Board, stock option grants should be equitable for all Board members. Additional stock options were granted for serving on the various board committees and in consideration for serving as a committee chairman. Differences in the dollar value of the option grants was based on the date of grant.

It should be noted that the stock grants were awarded on the condition that the shares of common stock could not be sold for a period of one year. By requiring a one year holding period, our directors were given the incentive to strive for shareholder value despite declining market conditions. All stock options were granted at the market on the date of grant. Under Generally Accepted Accounting Principles ( GAAP ) we were required to value these grants based on the date of grant. The dollar value of both the stock options and the stock awards are accounting entries and do not necessarily reflect actual compensation received by any of our officers.



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The following table sets forth the compensation paid to non employee directors for the periods indicated.

| Name, Principal<br>and Position | Fiscal<br>year | Salary<br>\$ | Bonus<br>\$ | Stock<br>Award<br>(\$)<br>(1) | Option<br>Awards<br>(\$)<br>(1) | Non<br>equityNon<br>Incentive<br>Plan |              |  | All other | TOTAL     |
|---------------------------------|----------------|--------------|-------------|-------------------------------|---------------------------------|---------------------------------------|--------------|--|-----------|-----------|
|                                 |                |              |             |                               |                                 | Deferred<br>Comp<br>(\$)              | Comp<br>(\$) |  |           |           |
| Ian Talbot                      | 2008           |              |             | 108,900                       | 273,000                         |                                       |              |  | \$        | 381,900   |
|                                 | 2007           | -0-          |             |                               |                                 |                                       |              |  |           | -0-       |
|                                 | 2006           | -0-          |             |                               |                                 |                                       |              |  |           | -0-       |
| Michel Yvan Stinglhamber        | 2008           | 24,000       |             | 87,500                        | 49,000                          |                                       |              |  | \$        | 160,500   |
|                                 | 2007           | 4,000        |             |                               | 158,050                         |                                       |              |  |           | 162,050   |
|                                 | 2006           | -0-          |             |                               |                                 |                                       |              |  |           | -0-       |
| Daniel Hachey                   | 2008           |              |             | 87,500                        | 252,000                         |                                       |              |  | \$        | 339,500   |
|                                 | 2007           |              | 870,000 (2) | 210,000                       | 442,000                         |                                       |              |  |           | 1,522,000 |
|                                 | 2006           |              |             |                               |                                 |                                       |              |  |           | -0-       |
| John Carden                     | 2008           |              |             | 99,000                        | 252,000                         |                                       |              |  | \$        | 351,000   |
|                                 | 2007           |              |             | 102,101                       |                                 |                                       |              |  |           | 102,101   |
|                                 | 2006           |              |             |                               |                                 |                                       |              |  |           | -0-       |
|                                 |                | -0-          |             |                               |                                 |                                       |              |  |           |           |
| Robert Dinning                  | 2008           |              |             |                               | 14,000                          |                                       |              |  | \$        | 14,000    |
|                                 | 2007           |              |             |                               |                                 |                                       |              |  |           | -0-       |
|                                 | 2006           |              |             |                               |                                 |                                       |              |  |           | -0-       |
|                                 |                | -0-          |             |                               |                                 |                                       |              |  |           | -0-       |

(1)

The amounts in these columns reflect the dollar amount recognized for financial statement reporting purposes for the fiscal years indicated in accordance with Statement of Financial Accounting Standards No. 123R (SFAS 123R.)

These amounts reflect the Company's accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executives.

(2)

Paid to Mr. Hachey in connection with services provided in connection with our ongoing financing activities.



**Grants of Plan-Based Awards**

The following table shows all plan-based compensation awards granted to our non employee directors

| <b>Name</b>         | <b>Year</b> | <b>No. of Shares of<br/>Common Stock<br/>Issued to<br/>Directors</b> | <b>All other<br/>Option<br/>Awards<br/>No. of Shares<br/>of Common<br/>Stock</b> | <b>Exercise<br/>Price of<br/>Option<br/>Awards</b> | <b>Grant<br/>Date<br/>Fair<br/>Value<br/>of Stock</b> |
|---------------------|-------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------|
| Ian Talbot          | 2008        | 55,000                                                               | 195,000                                                                          | \$2.42                                             | \$2.42                                                |
|                     | 2007        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
|                     | 2006        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
| Daniel Hachey       | 2008 *      | 50,000                                                               | 180,000                                                                          | \$2.42                                             | \$2.42                                                |
|                     | 2008        | -0-                                                                  | 200,000                                                                          | \$2.17                                             | \$2.17                                                |
|                     | 2007        | -0-                                                                  | 100,000                                                                          | \$2.37                                             | \$2.37                                                |
| John Carden         | 2008        | 50,000                                                               | 180,000                                                                          | \$2.42                                             | \$2.42                                                |
|                     | 2007        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
|                     | 2006        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
| Michel Stinglhamber | 2008        | 50,000                                                               | 180,000                                                                          | \$2.42                                             | \$2.42                                                |
|                     | 2007        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
|                     | 2006        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
| Robert Dinning      | 2008        | -0-                                                                  | 50,000                                                                           | \$2.25                                             | \$2.25                                                |
|                     | 2007        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |
|                     | 2006        | -0-                                                                  | -0-                                                                              | -0-                                                | -0-                                                   |

\*

Hachey was issued options on two separate grant dates in 2008.

**Outstanding Equity Awards at Year End**

The following table provides information regarding stock options held by our non employee directors as of June 30, 2008:

| Name                 | Option Awards                        |                 |                |                  | Stock Awards                  |                                 |                                    |                        |                              |
|----------------------|--------------------------------------|-----------------|----------------|------------------|-------------------------------|---------------------------------|------------------------------------|------------------------|------------------------------|
|                      | No. of Securities Underlying Options | Expiration Date | Exercise Price | Unvested Options | Market Value Unvested Options | Unvested Shares of Common Stock | Market Value Unvested Common Stock | No. of Unearned Shares | Market Value Unearned Shares |
| John Carden          | 180,000                              | 8/22/12         | \$2.42         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |
| Daniel Hachey        | 180,000                              | 8/22/12         | \$2.42         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |
|                      | 200,000                              | 11/30/11        | \$2.17         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |
|                      | 100,000                              | 1/4/12          | \$2.37         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |
| David Talbot         | 195,000                              | 8/22/12         | \$2.42         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |
| Michael Stinglhamber | 180,000                              | 8/22/12         | \$2.42         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |
| Robert Dinning       | 50,000                               | 8/22/12         | \$2.42         | -0-              | -0-                           | -0-                             | -0-                                | -0-                    | -0-                          |

**All of the options identified above are fully vested. No directors have exercised any options.**

## Corporate Governance

The Board believes that one of their primary responsibilities is to promote a culture of ethical behavior throughout the Company by setting examples and by displaying a sustained commitment to instilling and maintaining deeply ingrained principles of honesty and decency. Consistent with these principles the Company has, among other things, adopted:

.

written charters for our Audit Committee, Compensation and Nominating Committee;

.

a Code of Ethics for our officers, directors and employees

The committee charters and code of ethics is available on the Company's website located at [www.paramountgold.com](http://www.paramountgold.com). Copies of these documents are also available upon written request to the Company's Secretary. The Company will post information regarding any amendment to, or waiver from, its Code of Ethics on its website.

The Board periodically reviews its corporate governance policies and practices. Based on these reviews, the Board will adopt changes to policies and practices that are in the best interests of the Company and as appropriate to comply with any new requirements of the Commission or any Exchange listing requirements.

## Director Independence

As part of the Company's Corporate Governance Guidelines, the Board has established a policy requiring a majority of the members of the Board to be independent. The Board has determined that Mr. Talbot, Mr. Stinglhamber, Mr. Carden and Mr. Dinning satisfy any listing standards as well as the Company's independence standards.

## Communications with the Board

Stockholders and other interested parties may communicate with the Board or specific directors by mail addressed to: Board of Directors, c/o Paramount Gold and Silver Corp. 346 Waverly Street, Ottawa, Ontario Canada K2P 0W5. Attn: Christopher Crupi. If you wish to communicate with a specific board member, the communication should be sent to the indicated address with the name of the Board member appearing on the front cover of your communication.

## Audit Committee

The Audit Committee currently consists of Robert Dinning, Ian Talbot, John Carden and Michel Stinglhamber. During fiscal 2008, the Audit Committee held 6 meetings. The Board has determined that each member of the Audit Committee is independent. Each member of the audit committee is financially literate and experienced in financial matters. The Board has also determined that Mr. Dinning is an audit committee financial expert within the meaning of applicable Commission regulations.

The Audit Committee assists the Board in its oversight of the Company's financial reporting, focusing on the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent auditor and the performance of the Company's internal audit function and independent auditor. The Audit Committee's primary responsibilities include:

.

acting as the direct contact with the Company's independent auditor, who is ultimately accountable to the Audit Committee and the Board;

.

appointing the independent auditor, setting the terms of compensation and retention for the independent auditor and overseeing the work of the independent auditor;

.

pre-approving all audit and non-audit services provided to the Company by the independent auditor, except for items exempt from pre-approval requirements under applicable law; and

.

acting in respect of all other matters as to which Audit Committee action is required by law or applicable listing standards.

The Audit Committee's responsibilities and key practices are more fully described in its written charter.

Following is a report of our audit committee for the year ended June 30, 2008

### **AUDIT COMMITTEE REPORT**

The Audit Committee is currently composed of four directors who are neither officers nor employees of the Company. All members of the Committee are independent.

In connection with its review of the audited financial statements appearing in the Company's Annual Report on Form 10-K for fiscal 2008, the Committee:

.

discussed these financial statements with the Company's management and the Company's independent auditors, HLB Cinnamon Jang Willoughby & Company;

.

discussed with the Company's independent auditors those matters required to be discussed under Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU § 380) and SAS No. 90 (Committee Communication).

.

received and reviewed the written disclosures and the letter from our independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with our auditors their independence.

Based on the review and discussions referred to above, the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2008, as filed with the Commission.

The Committee has selected and engaged HLB Cinnamon Jang Willoughby & Company as our independent auditor to audit and report to the Company's stockholders on the Company's financial statements for fiscal 2009.

This report is submitted by the members of the Audit Committee.

#### *Members of the Audit Committee*

Robert Dinning (Chair)

Ian Talbot

John Carden

Michel Stinglhamber

### **Compensation Committee**

The Compensation Committee currently consists of Ian Talbot (Chairman), Daniel Hachey and John Carden. During fiscal 2008, the Compensation Committee held 2 meetings. Mr. Talbot and Mr. Carden qualify as independent directors.

The Compensation Committee assists the Board in overseeing executive compensation and administers the Company's executive bonus and equity compensation plan. The Compensation Committee's primary responsibilities include:

.

evaluating the performance of and establishing compensation for the Company's Chief Executive Officer;

.

establishing compensation levels for the Company's directors and executive officers and reviewing executive compensation matters generally;

.

making recommendations to the Board with respect to approval and adoption of all cash and equity-based incentive plans; and

.

approving awards of options, restricted shares, restricted share units and other equity rights to executive officers.

The Compensation Committee's responsibilities are discussed more fully in its charter. A report of the Compensation Committee is set forth below:

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Executive Compensation and Analysis. Based on that review and discussion, the Compensation Committee recommended to the Board of Directors of the Company that the Executive Compensation and Analysis be included in this Proxy Statement.

This report is submitted by the members of the Compensation and Option Committee.

#### *Members of the Compensation Committee*

Ian Talbot (Chair)

Daniel Hachey

John Carden

### **Nominating Committee**

The Nominating Committee currently consists of Ian Talbot, Michel Stinglhamber and Daniel Hachey. Mr. Talbot and Mr. Stinglhamber are independent directors.

The Nominating Committee assists the Board in carrying out its oversight responsibilities relating to the composition of the Board. The Nominating Committee's primary responsibilities include considering and making recommendations to the Board with respect to:

.

nominees for election to the Board consistent with criteria approved by the Board or the Nominating Committee, including director candidates submitted by the Company's stockholders.

The Nominating Committee's responsibilities and key practices are more fully described in its charter.

### ***Director Nominees***

The Nominating Committee utilizes a variety of methods for identifying and evaluating director nominees. The Committee may consider candidates recommended by the Company's directors, members of management, professional search firms or stockholders. These candidates may be considered at any point during the year.

### ***Qualifications***

In evaluating nominees for election as a director, the Nominating and Governance Committee considers a number of factors, including the following:

.

personal and professional qualities, characteristics, attributes, accomplishments and reputation in the business community and otherwise;

.

reputation in a particular field or area of expertise;

.

current knowledge and contacts in the markets in which the Company does business and in the Company's industry and other industries relevant to the Company's business;

.

the ability and willingness to participate fully in board activities, including attendance at, and active participation in, meetings of the Board and its committees;

.

the skills and personality of the nominee and how the Nominating Committee perceives the nominee will fit with the existing directors and other nominees in maintaining a Board that is collegial and responsive to the needs of the Company and its stockholders;

.

the willingness to represent the best interests of all of the Company's stockholders and not just one particular constituency; and

.

diversity of viewpoints, background and experience, compared to those of existing directors and other nominees.

### ***Stockholder Recommendations***

The Nominating Committee will evaluate director candidates recommended by a stockholder in the same manner as candidates otherwise identified by the Nominating Committee. The Company has never received any recommendations for director candidates from stockholders. In considering director candidates recommended by stockholders, the Nominating Committee will also take into account such factors as it considers relevant, including the length of time that the submitting stockholder has been a stockholder of the Company and the aggregate amount of the submitting stockholder's investment in the Company.

Stockholders may recommend candidates at any time, but to be considered by the Nominating Committee for inclusion in the Company's proxy statement for the next annual meeting of stockholders, recommendations must be submitted in writing no later than 120 days before the first anniversary of the date the proxy statement was mailed to stockholders in connection with the previous year's annual meeting. A stockholder's notice must contain the following:

• the name of the director candidate, the name of the stockholder recommending the director candidate for consideration, and the written consent of the director candidate and stockholder to be publicly identified;

• a written statement by the director candidate agreeing to be named in the Company's proxy materials and serve as a member of the Board if nominated and elected;

• a written statement by the director candidate and the recommending stockholder agreeing to make available to the Nominating Committee all information reasonably requested in connection with the Nominating Committee's consideration of the director candidate; and

• the director candidate's name, age, business and residential address, principal occupation or employment, number of shares of Common Stock and other securities beneficially owned, a resume or similar document detailing personal and professional experiences and accomplishments, and all other information relating to the director candidate that would be required to be disclosed in a proxy statement or other filing made in connection with the solicitation of proxies for the election of directors.

The stockholder's notice must be signed by the stockholder recommending the director candidate for consideration and sent to the following address: Paramount Gold and Silver Corp. 346 Waverly Street Ottawa, Ontario Canada K2P 0W5, attention Nominating Committee / Director Candidate Recommendation).

### **NOMINATING COMMITTEE REPORT**

The Nominating Committee has reviewed and discussed with management the election of the Company's nominees for its Board of Directors. Based on that review and discussion, the Nominating Committee recommended to the Board of Directors of the Company that the proposed nominees to serve on our Board of Directors be included in this Proxy Statement.

This report is submitted by the members of the Compensation and Option Committee.

*Members of the Nominating Committee*

Ian Talbot (chairman)

Daniel Hachey

Michel Stinglhamber

## COMPENSATION OF OUR OFFICERS AND DIRECTORS

### Overview

#### *Overview of Compensation Program*

Our compensation philosophy is based on our belief that our compensation programs should: be aligned with stockholder's interests and business objectives; reward performance; and be externally competitive and internally equitable. In order to attract quality board members in a manner commensurate with our status as an exploratory stage mining company, with no revenues, our Compensation Committee, examined studies conducted by independent industry sources in both the United States and Canada as to the level of compensation received by officers and directors. Their primary focus was with respect to compensation paid to officers and directors of mining companies which have no proven mineral reserves. Since our common stock is also traded on the Toronto Stock Exchange, our compensation committee examined public filings of companies which trade on the Toronto Stock Exchange as well as companies which file periodic reports with the Securities and Exchange Commission. The Compensation Committee also reviewed compensation studies prepared by independent consulting firms such as Spencer Davis located in Toronto, Ontario.

Our Compensation Committee studied the compensation level paid to officers and directors of more than a two dozen different resource companies. Overall compensation varied considerably. Companies paying their executive officers and directors on the high end include:

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Ecu Silver Mining Corp.

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Orko Silver Corp.

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Sabina Silver Corporation

.

Silver Corp. Metals Inc.

As a group salaries and bonuses paid to the company's chief executive ranged from \$94,000 to \$294,000 with an average salary and bonus totaling \$249,106. Salaries and bonuses paid to the Company's president ranged from \$208,000 to \$240,000 with an average salary and bonus totaling \$224,677. It should be noted that Orko Silver Corp, and Sabina Silver Corporation do not have company presidents. Salaries and bonuses paid to each company's chief financial officer ranged from \$60,000 to \$142,000 with an average salary, inclusive of bonus totaling \$114,000. (Salary figures are for 2007 and 2008)

With respect to option grants to each company's chief executive officer, the market value for options ranged from \$1million to \$6 million with average compensation of option grants totaling \$3,046,906. With respect to option grants for each company's president, option grants ranged from \$1 million to \$2.3 million with an average of \$1,665,000. Similarly, with respect to option grants for the company's chief financial officers, payments ranged from \$202,000 to

\$661,000 with an average grant of \$427,6000.

Ecu Silver and Orko Silver did not pay any cash compensation to its directors. The other identified companies paid directors from \$35,000 to \$95,000. The principal means of compensating these directors was through stock options which ranged from \$808,000 to \$3.6 million with an average compensation grant for stock options totaling \$2,425,799.

Compensation levels for other resource companies varied significantly in scope and range:

For example, cash compensation paid to the chief executive officer of Sierra Minerals totaled \$70,000 in cash and \$1 million in stock options. Virgin Metals Inc. paid its chief executive officer \$170,000 in cash and \$1.5 million in stock options while Starcore International Ventures, Ltd. paid their chief executive officer \$66,000 in cash and \$400,000 in stock options. (Salary figures are for 2006 and 2007.)

In establishing the compensation level paid to our officers and directors, the Compensation Committee attempted to achieve a balance between compensation paid to the officers and directors as compared to the compensation package offered our employees and consultants. Recognizing the need to preserve working capital for drilling operations, employees and consultants have been offered cash and equity compensation packages which has permitted us to retain skilled personnel with little employee turnover.

In making compensation decisions, we seek to achieve three objectives:

(1)

Providing a total compensation package which is competitive and therefore, enables us to attract and retain, high-caliber executive personnel;

(2)

Integrating compensation programs with our short-term and long-term strategic plan and business objectives; and

(3)

Encouraging achievement of business objectives and enhancement of stockholder value by providing executive management long-term incentive through equity ownership.

Our Compensation Committee, determines compensation for our executive officers and directors is decided by this Committee. The Compensation Committee reviews recommendations submitted to the Committee as well as industry averages for similarly situated companies. The Committee reviews these recommendations and reports and makes recommendations.

In determining the appropriate compensation level as compared to other similarly situated mining companies, the Compensation Committee has determined that the primary goal will be to preserve its cash situation. Except for nominal consideration paid to one director, directors do not receive cash compensation for serving on the Board of Directors or for serving on any committee of the Board of Directors. Rather, the Compensation Committee's primary objective with respect to equity compensation is to establish equity based compensation within industry guidelines. Since the Company's objective is to retain cash, the Compensation Committee recommended to the entire Board that equity based compensation be the primary form of compensation utilized and should be within the higher range of equity based compensation.

#### *Other Factors Considered in Establishing Compensation for Executive Officers*

We are an exploratory stage mining company. We will not be generating revenues from operations for a significant period of time. As a result, the use of traditional performance standards, such as corporate profitability, is not believed to be appropriate in the evaluation of our performance or our individual executives. The compensation of our executive officers is based, in substantial part, on industry compensation practices, trends in the mining industry as well as the achievement of our business and the individual executive officers' objectives. Such objectives are established and modified as necessary to reflect changes in market conditions and other factors. Individual performance is measured by reviewing whether these objectives have been achieved.

It is the responsibility of our Compensation Committee to make recommendations to our Board of Directors with respect to appropriate levels of compensation.

#### *Annual Salary*

We pay an annual salary to our employees and the executive officers as consideration for fulfillment of certain roles and responsibilities.

#### *Determining Annual Salary*

Increases to annual salary reflect a reward and recognition for successfully fulfilling the position's role and responsibilities, the incremental value of the experience, knowledge, expertise and skills the individual acquires and develops during employment with us and adjustments as appropriate based on external competitiveness and internal equity.

*Equity-Based Compensation*

We grant equity-based compensation to consultants, employees, including the executive officers, to attract, motivate, engage and retain highly qualified and highly sought-after employees. We grant stock options on a broad basis to encourage all employees to work with a long-term view. Stock options are inherently performance-based because they deliver value to the option holder only if the value of our stock increases. Thus, stock options are a potential reward for long-term value creation and serve as an incentive for employees who remain with us to contribute to the overall long-term success of the business.

*Retirement Benefits*

We currently do not offer any type of retirement savings plan for our executive officers, directors or employees.

*Perquisites*

None of our executive officers have perquisites in excess of \$10,000 in annual value.

*Severance Benefits*

We currently do not offer any type of severance program for our executive officers or employees. As we expand our operations, and on the recommendation of our Compensation Committee, we may implement such a plan to preserve employee morale and productivity and encourage retention in the face of the disruptive impact of an actual or rumored workforce reduction or a change in control of our company.

Based upon the above stated policies and industry norms, the Compensation Committee has determined that since directors ordinarily do not receive cash compensation, and our executive officers receive less than industry averages with respect to cash compensation, overall equity consideration should be within industry guidelines, but generally higher than industry average. The Compensation Committee believes that the overall cash and equity compensation paid to officers and directors meet these mandates and is in-line with similarly situated exploratory stage mining companies.

**COMPENSATION OF OUR OFFICERS**

We compensate our officers with both common stock and common stock options. With respect to the stock awards granted to Mr. Crupi, the Board agreed to issue 400,000 shares of its common stock (valued for accounting purposes at \$792,000) for meeting the following criteria. (1.) Secure a sufficient level of financing to undertake an extensive drilling program, (2) Secure a listing for the Company on the American Stock Exchange and (3) Secure a listing for the Company on the Toronto Stock Exchange. In connection with meeting these objectives, Mr. Crupi was granted 400,000 stock options valued at \$560,000.

Except with respect to the stock grants to Mr. Crupi, the Compensation Committee and the entire Board of Directors did not establish any quantifiable criteria with respect to the level of either the stock grants or options. Rather, the Compensation Committee evaluated both cash, stock grants and stock options paid to similarly situated mining companies.

With respect to other stock grants and options issued to the Company's officers the Nominating Committee considered an overall compensation package that included both cash and stock based compensation which would be in line with the Company's overall operations and compensation levels paid to similarly situated mining companies. . It was further noted that any stock grants to officers (and directors) were issued on the condition that any shares of common stock received as a result of any stock grants could not be sold for a period of one year. By requiring a one year holding period, our officers were given the incentive to strive for shareholder value despite declining market conditions. Similar criteria were utilized with respect to stock awards and options granted to Mr. Reed, Mr. Clancy and Ms. Letellier.

All stock options were granted at the market on the date of grant. Under Generally Accepted Accounting Principles ( GAAP ) we were required to value these grants based on the date of grant. The dollar value of both the stock options and the stock awards are accounting entries and do not necessarily reflect actual compensation received by any of our officers.



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The table below summarizes the total compensation paid or earned by our Chief Executive Officer, Chief Financial Officer, and our vice president who represents the only other executive officer who earned \$100,000 in salary and bonus for the fiscal years indicated.

| Name, Principal and Position       | Fiscal Year | Salary (\$) | Bonus (\$) | Stock Award (\$)<br>(1) (3) | Option Awards (\$)<br>(3) | Non equity Non Incentive Plan |               |           | All other | TOTAL        |
|------------------------------------|-------------|-------------|------------|-----------------------------|---------------------------|-------------------------------|---------------|-----------|-----------|--------------|
|                                    |             |             |            |                             |                           | Comp (\$)                     | Deferred (\$) | Comp (\$) |           |              |
| Christopher Crupi,<br>Pres/CEO/Dir | 2008        | 156,000     |            | 792,000                     | 560,000                   |                               |               |           |           | \$ 1,508,000 |
|                                    | 2007        | 39,000      | 35,000 (2) |                             | 552,000                   |                               |               |           |           | 626,000      |
|                                    | 2006        | -0-         |            | 630,000                     |                           |                               |               |           |           | 630,000      |
| Lucie Letellier<br>C/F/O           | 2008        | 125,000     |            |                             | 210,000                   |                               |               |           |           | \$ 235,000   |
|                                    | 2007        | 82,600      |            | 112,500                     |                           |                               |               |           |           | 195,100      |
|                                    | 2006        | 26,000      |            |                             |                           |                               |               |           |           | 26,000       |
| Michael Clancy<br>Secretary        | 2008        |             |            |                             | 105,000                   |                               |               |           |           | \$105,000    |
|                                    | 2007        |             |            |                             |                           |                               |               |           |           | -0-          |
|                                    | 2006        |             |            |                             |                           |                               |               |           |           | -0-          |
| Charles W. Reed<br>V/P             | 2008        | 166,000     |            | 79,200                      | 560,000                   |                               |               |           |           | \$ 301,200   |
|                                    | 2007        | 63,750      | 35,000 (2) |                             | 552,000                   |                               |               |           |           | 650,750      |
|                                    | 2006        | 62,641      |            | 562,500                     |                           |                               |               |           |           | 625,141      |

(1)

The amounts in these columns reflect the dollar amount recognized for financial statement reporting purposes for the fiscal years indicated in accordance with Statement of Financial Accounting Standards No. 123R (SFAS 123R.). These amounts reflect the Company's accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executives.

(2)

The \$35,000 bonus paid to Mr. Crupi was based on a review of the services provided and the time each officer devoted to the Company's operations. Mr. Crupi was critical to securing the Company's financing in 2007 and waived any type of additional salary until the financing was secured. Mr. Reed's \$35,000 bonus was paid on account of the additional work and time required on his part in overseeing operations at the San Miguel property. Both Mr. Crupi and Reed were awarded these bonuses for extra time and expenses incurred in the financing initiatives which took place from December 1, 2006 to March 31, 2007.

(3)

Reflects the dollar value of all stock awards and stock options which we have disclosed in our financial statements. Our audited financial statements have been filed with the Securities and Exchange Commission and included in our annual report for the year ended June 30, 2008, Copies of these financial statements are available at no cost by contacting the Company.

**Grants of Plan-Based Awards**

The following table shows all plan-based compensation awards granted to the named executive officers:

| <b>Name</b>       | <b>Year</b> | <b>No. of<br/>Shares of<br/>Common<br/>Stock<br/>Issued to<br/>Officers</b> | <b>All Other<br/>Option<br/>Awards<br/>No. of<br/>Shares of<br/>Common<br/>Stock</b> | <b>Exercise<br/>Price of<br/>Option<br/>Awards</b> | <b>Grant Date<br/>Fair Value<br/>of Stock</b> |
|-------------------|-------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|
| Christopher Crupi | 2008        | 400,000                                                                     | 400,000                                                                              | \$2.42                                             | \$2.42                                        |
|                   | 2007        | -0-                                                                         | 400,000                                                                              | \$2.06                                             | \$2.06                                        |
|                   | 2006        | 300,000                                                                     | -0-                                                                                  | -0-                                                | -0-                                           |
| Charles W. Reed   | 2008        | 40,000                                                                      | 400,000                                                                              | \$2.42                                             | \$2.42                                        |
|                   | 2007        | -0-                                                                         | 400,000                                                                              | \$2.06                                             |                                               |
|                   | 2006        | 300,000                                                                     |                                                                                      |                                                    |                                               |
| Lucie Letellier   | 2008        | -0-                                                                         | 150,000                                                                              | \$2.42                                             | \$2.42                                        |
|                   | 2007        | -0-                                                                         | -0-                                                                                  | -0-                                                | -0-                                           |
|                   | 2006        | -0-                                                                         | -0-                                                                                  | -0-                                                | -0-                                           |
| Michael Clancy    | 2008        | -0-                                                                         | 75,000                                                                               | \$2.42                                             | \$2.42                                        |
|                   | 2007        | -0-                                                                         | -0-                                                                                  | -0-                                                | -0-                                           |
|                   | 2006        | -0-                                                                         | -0-                                                                                  | -0-                                                | -0-                                           |

**Outstanding Equity Awards at Year End**

The following table provides information regarding stock options held by our executive officers . As of June 30, 2008 each of our officers has been granted the following options:

| <b>Name</b>       | <b>Option Awards</b>                                    |                            |                           |                             | <b>Stock Awards</b>                              |                                                    |                                                           |                                       |                                                 |
|-------------------|---------------------------------------------------------|----------------------------|---------------------------|-----------------------------|--------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------|---------------------------------------|-------------------------------------------------|
|                   | <b>No. of<br/>Securities<br/>Underlying<br/>Options</b> | <b>Expiration<br/>Date</b> | <b>Exercise<br/>Price</b> | <b>Unvested<br/>Options</b> | <b>Market<br/>Value<br/>Unvested<br/>Options</b> | <b>Unvested<br/>Shares of<br/>Common<br/>Stock</b> | <b>Market<br/>Value<br/>Unvested<br/>Common<br/>Stock</b> | <b>No. of<br/>Unearned<br/>Shares</b> | <b>Market<br/>Value<br/>Unearned<br/>Shares</b> |
| Charles W. Reed   | 400,000                                                 | 8/22/12                    | \$2.42                    | -0-                         | -0-                                              | -0-                                                | -0-                                                       | -0-                                   | -0-                                             |
|                   | 400,000                                                 | 10/31/11                   | \$2.06                    | -0-                         | -0-                                              | -0-                                                | -0-                                                       | -0-                                   | -0-                                             |
| Christopher Crupi | 400,000                                                 | 8/22/12                    | \$2.42                    | -0-                         | -0-                                              | -0-                                                | -0-                                                       | -0-                                   | -0-                                             |
|                   | 400,000                                                 | 11/30/11                   | \$2.06                    | -0-                         | -0-                                              | -0-                                                | -0-                                                       | -0-                                   | -0-                                             |

|                    |         |         |        |     |     |     |     |     |     |
|--------------------|---------|---------|--------|-----|-----|-----|-----|-----|-----|
| Michael<br>Clancy  | 75,000  | 8/22/12 | \$2.42 | -0- | -0- | -0- | -0- | -0- | -0- |
| Lucie<br>Letellier | 150,000 | 8/22/12 | \$2.42 | -0- | -0- | -0- | -0- | -0- | -0- |

**All of the options identified above are fully vested. No executive officer has exercised any options.**

### **Employment Agreements**

Commencing April 1, 2007 Christopher Crupi entered into a consulting agreement with the Company which provides for payment of \$13,000 per month in consideration for his serving as our chief executive officer.

Commencing April 1, 2007, we pay Charles Reed, our vice president and chief geologist \$7,500 per month (\$750 per day) in consideration for his agreement to work a minimum of ten (10) days per month. Most of this time is spent in the field at our various mining properties or investigating and conducting due diligence on our behalf for other prospective acquisitions.

Commencing July 1, 2008, we pay Lucie Letellier, our chief financial officer, an annual salary of \$133,000 per year.

# **OPTION GRANTS TO CONSULTANTS**

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.<br/>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.

## **Option Exercises in Last Year:**

There were no option exercises by the named executive officers, directors or consultants for the year ended June 30, 2008.

### **Certain Relationships and Related Transactions**

It is our practice and policy to comply with all applicable laws, rules and regulations regarding related party transactions, including the Sarbanes-Oxley Act of 2002. A related person is any executive officer, director, or more than 5% shareholder of the Company, including any of their immediate family members, and any entity owned or controlled by such persons. Our audit committee has been charged with responsibility for approving all related party transactions as part of the audit committee's overall responsibilities as set forth in its charter. In considering related party transactions, the Audit Committee takes into account the relevant available facts and circumstances. In the event a director has an interest in the proposed transaction, the director must recuse himself from the deliberations and approval.

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).

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.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Included in this proxy statement, annexes and associated documents are forward-looking statements, as well as historical information. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that the expectations reflected in these forward-looking statements will prove to be correct. Our actual results could differ materially from those anticipated in forward-looking statements as a result of certain factors. Forward-looking statements include those that use forward-looking terminology, such as the words anticipate, believe, estimate, expect, intend, may, project, plan, will, shall, should, and similar when used in the negative. Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, these statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. All forward-looking statements attributable to us are expressly qualified in their entirety by these and other factors.

To assist you in an evaluation of the proposals which will be voted upon at the annual meeting, we are providing the following financial information:

|                           | <b>Quarter ended</b> | <b>Year Ended</b> | <b>Year Ended</b> | <b>Year Ended</b> |
|---------------------------|----------------------|-------------------|-------------------|-------------------|
|                           | <b>September 30</b>  | <b>June 30,</b>   | <b>June 30,</b>   | <b>June 30,</b>   |
|                           | <b>2008</b>          | <b>2008</b>       | <b>2007</b>       | <b>2006</b>       |
|                           | <i>(Unaudited)</i>   | <i>(Audited)</i>  | <i>(Audited)</i>  | <i>(Audited)</i>  |
| Revenue                   | \$ 97,277            | \$ 457,562        | \$ 268,605        | \$ 6,860          |
| Expenses                  | \$ 3,158,655         | \$ 18,867,523     | \$ 15,938,494     | \$ 1,881,322      |
| Cash                      | \$ 1,211,497         | \$ 3,199,848      | \$ 16,231,388     | \$ 465,791        |
| Total Assets              | \$ 19,496,183        | \$ 11,932,328     | \$ 22,189,838     | \$ 3,848,669      |
| Current Liabilities       | \$ 1,605,956         | \$ 1,714,620      | \$ 779,345        | \$ 429,246        |
| Total Liabilities         | \$ 1,605,956         | \$ 1,714,620      | \$ 779,345        | \$ 429,246        |
| Working Capital (Surplus) | \$ 2,577,595         | \$ 4,119,068      | \$ 18,137,737     | \$ 443,320        |
| Accumulated Deficit       | \$ 39,017,464        | \$ 35,956,085     | \$ 17,546,124     | \$ 1,876,225      |

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

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

##### Revenues

We are an exploratory mining company with no revenues from operations to date. All of our revenues to date represent interest income which we have earned as a result of our cash holdings. Our cash holdings were generated from the sale of our securities. Interest income for the three months ended September 30, 2008 was \$97,277 as

compared to \$185,062 for the three months ended September 30, 2007. Since inception (March 29, 2005), we have generated \$830,304 in interest income. The interest income has been generated as a result of various financings which we have undertaken. Monies are deposited in interest bearing accounts until such time as needed for drilling and general working capital purposes.

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

## Operating Expenses

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

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

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

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

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

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

We have in the past relied heavily on stock based compensation in order to preserve cash for drilling expenses. Stock based compensation has proven to be an attractive means to compensate some of our key employees, directors, consultants and geologists. Management believes that by utilizing the Company's common stock as incentive for quality work, the return on its investment will in the long run, be more beneficial to the Company than simply cash compensation.

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

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

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

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

## Net Income (loss)

Our Net Loss for the three months ended September 30, 2008 was \$(3,061,378) as compared to a net loss of \$(6,477,987) in 2007. Due to foreign currency translation adjustments, our total comprehensive loss for the three months ended September 30, 2008 was \$(3,450,831) as compared to \$(6,463,075). Our Net Loss per Share was \$(0.06) as compare to a Net Loss per Share of \$(0.14) for the comparable periods in 2007. Until such time as we are able to identify mineral deposits which we believe can be extracted in a commercially reasonable manner, of which there can be no assurance, we will continue to incur ongoing losses.

## **Liquidity and Capital Resources**

### **Assets and Liabilities**

#### **September 30, 2008 as compared to June 30, 2008**

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

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

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

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

Our mineral properties were valued as of September 30, 2008 at \$13,679,197 as compared to \$4,738,747. The significant increase in the value of our mineral properties from the quarter ended September 30, 2007 is directly attributable to an increase in the size of our holdings.

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

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

We have a working capital surplus at March 31, 2008 (current assets less current liabilities) of \$2,219,236 as compared to a working capital surplus of \$4,119,068 as of June 30, 2008, representing a decline of approximately 47%. We anticipate that we will be able to meet our currently existing ongoing contractual commitments for any property or mineral rights and have sufficient financial resources to finance necessary exploration and geological endeavors.

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.

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

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, Tara Gold will be obligated to reimburse us for expenses we incurred representing Tara Gold's proportionate contribution to the Joint Venture. As collection is not reasonably assured, as of September 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.

### **Quantitative and Qualitative Disclosure About Market Risk**

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

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

### ***Accounting Implications of the Stock Option Repricing***

Shareholders should note that the repricing of all the outstanding common stock options, if approved by the shareholders, will result in an additional compensation expense of \$250,000 to be recorded in the current quarter of repricing. In addition a corresponding increase (credit) of \$250,000 to contributed surplus will be recorded in the current period of repricing. There is no retroactive effect or restatement of prior periods. The calculation was based on the provisions of SFAS 123 (see example in paragraph A149) using the Black Scholes model with an assumed fair market value of \$0.40 per share on the date of repricing and an exercise price of \$0.50. Readers are cautioned that if the fair market value per share is higher or lower than \$0.40 per share on the date of repricing the compensation expense will be higher or lower and this difference may be material. There are no other accounting implications of the proposed stock option repricing.

### **Our Auditors**

We have recommended that HLB Cinnamon Jang Willoughby & Company ( HLB ) be appointed as our independent public accounting firm. HLB was our independent public accounting firm for the year ended June 30, 2008. We do not expect a representative of HLB will attend our annual shareholder meeting. However, a representative of HLB will make themselves available via conference call to make a statement if they so desire and to answer shareholder questions regarding our financial statements, accounting implications as a result of the repricing of our stock options and such other matters as may be brought before them by our shareholders. We have included in our discussion under

proposal two a breakdown of the fees we have paid to HLB.

## **PROPOSAL ONE**

### **ELECTION OF DIRECTORS**

At the annual meeting, seven directors will be elected to serve a one year term or until the next annual shareholders meeting and until such director's successor shall have been elected and qualified.

Our Board has nominated Christopher Crupi, Charles Reed, Michel Yvan Stinglhamber, Daniel Hachey, John Carden, Ian Talbot and Robert Dinning. All nominees are currently members of the Board.

Each nominee has expressed his willingness to serve as a director if elected, and we know of no reason why any nominee would be unable to serve. If a nominee becomes unavailable before the election, the proxies may be voted for one or more substitute nominees designated by the Board, or the Board may decide to reduce the number of directors.

Set forth below is certain information with respect to each nominee for 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. Mr. Crupi is also a director of Industrial Minerals Inc., an OTC traded company.

#### **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.

#### **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. and Rimfire Minerals Corporation, both TSX Exchange listed junior mineral exploration companies. In addition, effective November 1, 2008, Mr. Talbot became the Chief Operating Officer for Strategic Metals Ltd., Atac Resources Ltd. and Rockhaven Resources Ltd., all junior mineral exploration companies listed on the TSX Venture Exchange.

Between 2002 and 2006, Mr. Talbot was employed by BHP Billiton World Exploration Inc. as senior legal counsel. Prior to joining BHP Billiton, Mr. Talbot practiced mining and securities law with several Vancouver, British Columbia based law firms. He received a Bachelor of Laws degree from the University of British Columbia in 1989 and a Bachelor of Science (geology) degree 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 Executive Officer, Chief Financial Officer, Secretary and as a director of Industrial Minerals Inc., an Ottawa, 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.

**The Board unanimously recommends that you vote ``FOR the appointment of each of the named directors.**

**PROPOSAL TWO**

**RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board has selected the firm of HLB Cinnamon Jang Willoughby & Company as our independent registered public accounting firm for the year ending June 30, 2009, subject to ratification by our stockholders at the annual meeting. HLB Cinnamon Jang Willoughby & Company was our independent registered public accounting firm the year ended June 30, 2006 and 2007.

HLB Cinnamon Jang Willoughby & Company has been our independent registered public accounting firm since 2005.

**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.

**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 periods indicated.

Representatives of HLB Cinnamon Jang Willoughby & Company are not expected to be present in person at the annual meeting. However, they will be available to respond to questions via conference call.

**The Board unanimously recommends that you vote ``FOR the ratification of the appointment of HLB Cinnamon Jang Willoughby & Company as our independent registered public accounting firm for the years ending June 30, 2009.**

### **PROPOSAL THREE**

#### **AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF OUR AUTHORIZED SHARES OF COMMON STOCK.**

##### **INCREASE IN THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

Our Articles of Incorporation currently authorize the issuance of 100 million shares of common stock. On October 2, 2008 our Board of Directors unanimously approved a proposal to amend our Articles of Incorporation to increase the number of authorized shares of common stock from 100 million to 200 million shares of common stock. As of the Record Date, 61,316,551 shares of common stock were outstanding.; 4,734,500 shares of common stock were reserved for issuance upon the exercise of outstanding stock options and 7,994,657 shares of common stock were reserved for issuance upon the exercise of outstanding warrants.

Since inception, substantially all of our necessary funding has come from the proceeds of the sale of common stock. We have also issued shares of our common stock to acquire mineral rights and mining interests. In order to continue our drilling program and fund ongoing operations, we will need to secure additional capital. This will in all likelihood require us to issue additional shares of common stock. Given current market conditions and the decline in the price of our common stock, we believe that it is necessary to increase the number of shares of common stock that we are authorized to issue to facilitate capital formation, acquire mining concessions and employ and retain qualified personnel.

The additional shares of common stock would have rights identical to the shares of common stock currently outstanding or reserved for issuance. Holders of our common stock are entitled to one vote for each share of common stock held and are entitled to receive such dividends as may be declared from time to time by the Board of Directors. In addition, upon a liquidation, dissolution or winding up of our affairs, the holders of common stock are entitled to receive a pro rata portion of our net assets which remain, if any, after the payment of any debts, obligations and liquidation preferences. There are no preemptive rights associated with any of our stock.

The Board of Directors believes that the availability of the proposed amount of additional authorized shares of common stock will provide us with the flexibility to issue common stock in connection with equity financing, stock options, warrants, possible future acquisitions, stock splits or other appropriate general corporate purposes. If the proposal is approved, the additional shares will be available for issuance without further authorization of the shareholders, unless such action is required by applicable law or the rules of the American Stock Exchange. At this time, we have no plans, understandings or agreements for the issuance or use of the proposed additional shares of common stock.

The issuance of additional shares of common stock or the rights to acquire such shares would have the effect of diluting our earnings per share in the event that we become profitable and will dilute the voting power of current shareholders who do not acquire sufficient additional shares to maintain their percentage of share ownership.

A copy of the proposed amendment to our articles of incorporation is attached hereto and marked Exhibit A.

**The Board unanimously recommends that you vote ``FOR the ratification of the amendment to our certificate of incorporation increasing the number of authorized shares of common stock to 200 million shares of \$0.001 par value common stock.**



## **PROPOSAL FOUR**

### **RATIFICATION OF THE 2008/09 STOCK INCENTIVE AND EQUITY COMPENSATION PLAN**

#### **Introduction**

The Board of Directors of Paramount believe that the proposed 2008/09 Stock Incentive and Equity Compensation Plan (the Plan) will be effective in attracting directors, executives and employees to the Company by providing incentives and rewards to those directors, executives, employees and consultants responsible for the Company's continued growth. The Board further believes that incentive stock options and nonqualified stock options granted under the Plan would provide a form of incentive that aligns the economic interests of management, employees, consultants and those of our stockholders.

The Board desires a plan that gives it flexibility to determine what types of awards are beneficial to the Company, its employees, directors and stockholders as changes occur with respect to compensation trends, accounting treatment of awards, tax treatment of awards to the Company or its employees or directors, or its cash flow needs.

The Plan will provide the flexibility that the Board desires. In addition to incentive stock options and nonqualified stock options, the Plan will allow the Board or its compensation committee, as the administrator of the Plan, to award stock options restricted shares and stock appreciation rights to employees, directors and consultants. We may also issue registered shares if we register the Plan on Form S-8 with the SEC.

The Board of Directors of Paramount has unanimously approved the adoption of the Plan. A copy of the Plan is included herewith and marked Exhibit B.

#### **Material Features of the Plan**

The material features of the Plan are summarized below. The summary is qualified in its entirety by reference to the specific provisions of the Plan, the full text of which is set forth as Exhibit A to this proxy statement.

#### **Administration**

The Plan will be administered by the Compensation Committee of the Board of Directors. The Committee will have the authority to determine, within the limits of the express provisions of the Plan, the individuals to whom awards will be granted, the nature, amount and terms of such awards and the objectives and conditions for earning such awards or grants.

#### **Types of Awards**

Awards under the Plan may include restricted shares of common stock, registered shares of Common Stock, (if a registration statement has been filed) nonqualified stock options, incentive stock options (ISOs) and stock appreciation rights (SARs). Restricted Shares are shares of common stock issued to a recipient subject to such terms and conditions, including, without limitation, forfeiture and to such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance. A SAR is the right to receive cash, common stock or both based on the increase in the market value of the shares of common stock covered by such SAR from the initial date of the performance period for such SAR to the date of exercise. If the Committee elects to pay an amount to a participant in common stock, such common stock shall be valued at fair market value (as defined in the Plan) as the day of exercise of the SAR. We may only issue registered securities if the Company files a Registration Statement with the Securities and Exchange Commission.

The Committee may determine that all or a portion of an award may be deferred, that it may be vested at such times and upon such terms as the Committee may select, or that a recipient must be an employee or director at the time the award is paid or exercised. The Plan provides that ISOs may be granted to a recipient during a calendar year only if the aggregate fair market value (determined as of the time an ISO is granted) of common stock with respect to which ISOs are exercisable for the first time by such recipient during any calendar year under the Plan and any other incentive stock option plans maintained by the Company does not exceed \$100,000.

### **Eligible Recipients of Awards**

The Committee may grant awards to any of the Company's employees, to a member of the Board of Directors and to our consultants.

### **Restrictions on Awards to Insiders**

No Award under the Plan shall be granted if the aggregate number of shares of common stock (i) issued to insiders (as that term is defined in the Plan) of the Company within any one year period, or (ii) issuable to insiders at any time, under the Plan and any other security based compensation arrangement of the Company could exceed 10% of the Company's shares of common stock issued and outstanding, on a non-diluted basis, at the time of the grant of the Award.

### **Term of Options**

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. If any stock options are set to expire during any black-out period which would prohibit the option holder from exercising the stock option during the black-out period, then in that event the option term shall be extended for an additional ten (10) days beyond the end of any black-out period to permit the holder to exercise the stock option.

### **Option Price**

The option price per share of common stock purchasable under either an ISO or non-qualified stock option shall be determined by the Committee at the time of grant but shall not be less than 100% of the fair market value (as defined in the Plan) of the share of common stock at the time of grant. Notwithstanding the foregoing, if an option is modified, extended or renewed and, thereby, deemed to be the issuance of a new option under the Internal Revenue Code, the exercise price of an option may continue to be the original exercise price even if less than the fair market value of the common stock at the time of such modification, extension or renewal.

### **Market Appreciation of Stock Appreciation Rights**

The Plan provides for Tandem and Non-Tandem Stock Appreciation Rights. A Tandem Stock Appreciation Right shall mean the right to surrender to the Company all (or a portion) of a stock option in exchange for an amount in cash or stock equal to the excess of (i) the fair market value (as that term is defined in the Plan), on the date such stock option (or such portion thereof) is surrendered, of the common stock covered by such stock option (or such portion thereof), over (ii) the aggregate exercise price of such stock option (or such portion thereof). A Non-Tandem Stock Appreciation Right shall mean the right to receive an amount in cash or stock equal to the excess of (x) the fair market value of a share of common stock on the date such right is exercised, over (y) the aggregate exercise price of such right, other than on surrender of a stock option.

### **Stock Award Pricing**

The Committee shall determine the price, if any, to be paid by the recipient of an award of restricted stock and registered stock under the Plan.

### **Assignability**

No award granted pursuant to the Plan is transferable or assignable by its recipient other than by will or the laws of descent and distribution.

**Shares Subject to the Plan**

An aggregate of 4,000,000 (4 million) shares of common stock is reserved for issuance under the Plan representing 7.1% of the Company's issued and outstanding shares of common stock as of September 30, 2008. Shares of common stock to be delivered or purchased under the Plan may be either authorized but unissued common stock or treasury shares.

### **Anti-Dilution Protection**

In the event of any changes in the capital structure of the Company, including a change resulting from a stock dividend or stock split, or combination or reclassification of shares, the Board of Directors is empowered to make such equitable adjustments with respect to awards or any provisions of the Plan as it deems necessary and appropriate, including, if necessary, any adjustments in the maximum number of shares of common stock subject to the Plan or in the number of shares of common stock subject to an outstanding award.

### **Merger, Consolidation, Reorganization, Liquidation, Etc.**

If after the date of the adoption of the Plan, the Company becomes a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors is authorized under the Plan to make such arrangements it deems advisable with respect to outstanding awards, which shall be binding upon the recipients of such awards, including, but not limited to, the substitution of new awards for any awards then outstanding, the assumption of any such awards, and the termination of or payment for such awards.

### **Market Value Restrictions**

The amounts of certain awards are based on the fair market value of a share of common stock at a specified point in time. The exercise price per share of common stock under each nonqualified stock option or ISO granted under the Plan, which is paid to the Company at the time of the exercise, shall be determined by the Committee, but may not be less than the fair market value of such common stock on the date of grant of such option. Fair market value of a share of common stock as of a given date is defined by the Plan to be as of any given date: (i) if the Common Stock is listed on a national securities exchange, foreign stock exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the closing price of the Common Stock on the trading market for the Common Stock, as selected by the Committee, on the trading date preceding the given date, as reported by the exchange or Nasdaq, as the case may be, (ii) if the Common Stock is not listed on a national securities exchange, foreign stock 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;

### **No Repricing**

Except for adjustments made pursuant to the anti-dilution provisions of the Plan, or by reason of a merger, consolidation, major acquisition of property for stock, reorganization or liquidation, the exercise or purchase price under any outstanding award granted under the Plan may not be decreased after the date of grant, nor may any outstanding award granted under the Plan be surrendered to the Company as consideration for the grant of a new award with a lower exercise or purchase price in the absence of the approval of the holders of a majority of the shares of our common stock present in person or by proxy at a duly constituted meeting of our shareholders.

### **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 Common Shares 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.

## **Awards to be Granted Under the Plan**

The exact types and amounts of any awards to be made by the Committee to any eligible employees or directors pursuant to the Plan are not presently determinable. As a result of the discretionary nature of the Plan, it is not possible to state who the participants in such Plan will be, the number of options or other awards to be received by any person or group, or the benefits that would have been received by certain persons or groups under the Plan during the last fiscal year if the Plan had been in effect during the year.

## **Federal Income Tax Consequences**

The federal income tax consequences of the issuance and/or exercise of awards under the Plan are as described below. The following information is not a definitive explanation of the tax consequences of the awards, and recipients should consult with their own tax advisors with respect to the tax consequences inherent in the ownership and/or exercise of the awards, and the ownership and disposition of any underlying securities. Tax consequences will also vary depending upon the jurisdiction where the recipient of the award may reside.

## **Restricted Shares**

A recipient will not be taxed at the date of an award of Restricted Shares, provided that the Restricted Shares are subject to substantial risk of forfeiture, but will be taxed at ordinary income rates on the fair market value of any restricted shares as of the date that the restrictions lapse, unless the recipient, within 30 days after transfer of such Shares to the recipient, elects under Section 83(b) of the Internal Revenue Code to include in income the fair market value of the Restricted Shares as of the date of such transfer. The Company will be entitled to a corresponding deduction. Any disposition of shares after restrictions lapse will be subject to the regular rules governing long-term and short-term capital gains and losses, with the basis for this purpose equal to the fair market value of the shares at the end of the restricted period (or on the date of the transfer of the restricted shares, if the employee elects to be taxed on the fair market value upon such transfer). Dividends received by a recipient during the restricted period will be taxable to the recipient at ordinary income tax rates and will be deductible by the Company, unless the recipient has elected to be taxed on the fair market value of the restricted shares upon transfer, in which case they will thereafter be taxable to the recipient as dividends and will not be deductible by the Company.

## **Incentive Stock Options**

A recipient who is granted an ISO will not recognize any taxable income for federal income tax purposes on either the grant or the exercise of the ISO. If the recipient disposes of the shares purchased pursuant to the ISO more than two years after the date of grant and more than one year after the transfer of the shares to him (the required statutory holding period ), (a) the recipient will recognize long-term capital gain or loss, as the case may be, equal to the difference between the selling price and the option price; and (b) the Company will not be entitled to a deduction with

respect to the shares of stock so issued.

If the holding period requirements are not met, any gain realized upon disposition will be taxed as ordinary income to the extent of the excess of the lesser of (i) the excess of the fair market value of the shares at the time of exercise over the option price, or (ii) the gain on the sale. The Company will be entitled to a deduction in the year of disposition in an amount equal to the ordinary income recognized by the recipient. Any additional gain will be taxed as short-term or long-term capital gain depending upon the holding period for the stock. A sale for less than the

option price results in a capital loss. Generally, if an ISO is not exercised within three months following a participant's termination of employment, the ISO will be treated as a nonqualified stock option.

Ordinarily, the excess of the fair market value of the shares on the date of exercise over the option price is an alternative minimum tax addition. A corresponding alternative minimum tax subtraction is allowed in the year in which the shares are disposed. See *Alternative Minimum Tax*, below.

### **Nonqualified Stock Options**

The recipient of a nonqualified stock option under the Plan will not recognize any income for federal income tax purposes on the grant of the option. Generally, on the exercise of the option, the recipient will recognize taxable ordinary income equal to the excess of the fair market value of the shares on the exercise date over the option price for the shares. The Company generally will be entitled to a deduction on the date of exercise in an amount equal to the ordinary income recognized by the recipient. Upon disposition of the shares purchased pursuant to the stock option, the recipient will recognize long-term or short-term capital gain or loss, as the case may be, equal to the difference between the amount realized on such disposition and the basis for such shares, which basis includes the amount previously recognized by the recipient as ordinary income.

### **Stock Appreciation Rights**

A recipient who is granted stock appreciation rights will not recognize any taxable income on the receipt of the SARs. Upon the exercise of an SAR, (a) the recipient will recognize ordinary income equal to the amount received (the increase in the fair market value of one share of our common stock from the date of grant of the SAR to the date of exercise) and (b) we will be entitled to a deduction on the date of exercise in an amount equal to the ordinary income recognized by the recipient.

### ***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 Shares equal in value to the excess of the fair market value of one Common Share 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***

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 Shares equal in value to the excess of the fair market value of one Common Share on the date the right is exercised over the fair market value of one (1) Common Share on the date the right was awarded to the Participant.

### Alternative Minimum Tax

In addition to the federal income tax consequences described above, a recipient may be subject to the alternative minimum tax ( AMT ), which is payable only to the extent it exceeds the recipient's regular tax liability. The AMT is assessed on the recipient's alternative minimum taxable income in excess of an exemption amount that varies by filing status. For purposes of computing the AMT, the alternative minimum taxable income is equal to taxable income (1) increased by tax preference items and (2) increased or reduced by certain AMT adjustments. Federal law currently provides for a minimum tax credit that may be applied against the recipient's regular tax liability in years following a year in which the recipient is subject to AMT. The minimum tax credit is limited to the excess, if any, of the regular tax over the tentative AMT for the year. Any credit not used because of the limitation may be carried forward indefinitely.

### EQUITY COMPENSATION PLAN INFORMATION (1)

| Category                                                         | No of Securities to<br>be issued upon<br>exercise of<br>outstanding options | Weighted Average<br>exercise price of<br>outstanding options | No. of Securities<br>remaining available<br>for future issuance |
|------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------|
| Equity Compensation<br>Plans Approved by<br>Security Holders     | 1,310,000                                                                   | \$2.18                                                       | 310,000                                                         |
| Equity Compensation<br>Plans not Approved by<br>Security Holders | 3,119,500                                                                   | \$2.49                                                       | 165,500                                                         |
| TOTAL                                                            | 4,429,500                                                                   |                                                              |                                                                 |

(1)

The above table represents information about securities previously authorized for issuance under our various equity compensation plans. All remaining shares which are available for issuance will remain available for future issuance.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PLAN IN SUBSTANTIALLY THE SAME FORM AS INCLUDED AS AN EXHIBIT TO THIS PROXY STATEMENT.**



## **PROPOSAL FIVE**

### **RATIFICATION OF A PROPOSAL BY OUR BOARD OF DIRECTORS TO RESET THE EXERCISE PRICE OF ALL OUTSTANDING COMMON STOCK OPTIONS**

Our shareholders will be asked to ratify a resolution adopted by our Board of Directors to amend our outstanding common stock options pursuant to the following terms and conditions:

If this proposal is agreed to, our Board of Directors will reconvene for a meeting no later than 30 days following the adoption of this resolution. At that meeting we will amend the exercise price of outstanding options granted to our current directors, employees and consultants such that the new exercise price will be equal to the greater of \$.50 per share or the closing bid price of our common stock as reported by the American Stock Exchange on the effective date on which our Board chooses to reprice the outstanding options.

We intend to amend a total of 3,549,500 outstanding options. We will not be issuing new options. Rather, the exercise price of all outstanding options will be amended as set forth below. The exercise price of our outstanding options range from \$2.17 per share to \$2.42 per share. If the proposal is approved, the exercise price of our outstanding options will equal the greater of \$.50 per share or the closing bid price of our shares of common stock on the date of grant. We are not changing the option expiration dates.

The proposed change in the exercise price of the outstanding options will not change any rights or preferences of holders of our common stock. However, if the options are subsequently exercised at the revised exercise price, the exercise of the options will have a dilutive effect on the shareholders.

Our compensation committee believes that repricing the exercise price of our outstanding options is critical to retaining the services of key employees, consultants as well as retaining the services of the current board members. Our entire Board of Directors has endorsed this proposal.

Our geologists, consultants, employees as well as our Board members have always believed in our drilling program and the ultimate success of the Company. As a result, these people have agreed to accept substantially less than the fair market value for their services. These people believe in our project and business plan and as a result, chose to be equity participants in our business. The overall decline in the stock market as well as the deteriorating economy has made it extremely difficult for these individuals to rely almost exclusively, especially in the case of our board members as stock options as a form of compensation. We believe that these people should not be penalized for matters outside of our control.

Drilling results on our properties have proven to be promising. As such, we intend to go to the financial community in search of additional equity financing. If we are successful in securing additional funding, we want to devote as much of this funding as possible to expanding our drilling program. If we were to pay our employees, including our board members, the fair market value for their services in cash, a large percentage of any equity funding would be diverted to employee compensation as opposed to expanding our drilling program. If we cannot expand our drilling program, the likelihood of demonstrating proven reserves and securing a joint venture partner or securing the sale of the properties will be diminished. This will have a significant adverse affect on our business operations and will in all likelihood further depress the price of our common stock.

We do not believe that hiring new employees and offering these employees a new compensation package is helpful in moving forward with our business plan. Rather, our ongoing program will be delayed while these employees acclimate themselves to our operations and procedures. Even assuming we could recruit new employees, of which there can be no assurance, the exercise price of any options which we may grant, will in all likelihood, be no less favorable than the new exercise price which we are suggesting for current option holders.

We are not repricing our options to provide additional compensation to our employees. Rather, repricing our securities will enable us to move forward with our business plan with a qualified team of professionals. We will not reprice any options that have been granted to employees no longer employed by the Company.

We believe that the significant decline in the price of our common stock since the grant of the options is primarily due to market conditions beyond our control. We are not rewarding employees or management for poor business decisions. Rather, just the opposite. Since successfully completing our primary funding in March 2007, our focus has been and continues to be expanding our drilling program, securing a 100% equity interest in our joint venture and acquiring ownership stakes in mineral rich properties in areas which we believe which will enhance our likelihood in identifying a joint venture partner to commercially exploit our mineral reserves.

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There are no arrears with respect to any of our outstanding securities and the repricing of the outstanding options will not result in a breach of any outstanding contractual commitments we have incurred.

Except with respect to the modification of the exercise price of the options, there are no other changes in the options or the equity compensation plans from which we authorized the issuance of the outstanding options.

The following table sets forth the outstanding options currently owned by our officers and directors

| <b>Name</b>                                         | <b>Exercisable</b> | <b>Unexercisable</b> | <b>Current<br/>Exercise<br/>Price</b> | <b>New<br/>Exercise<br/>Price(1)</b> | <b>Expiration<br/>Date</b> |
|-----------------------------------------------------|--------------------|----------------------|---------------------------------------|--------------------------------------|----------------------------|
| Christopher Crupi                                   | 400,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
|                                                     | 400,000            | -0-                  | \$2.06                                | \$0.50                               | 10/31/11                   |
| Charles Reed                                        | 400,000            | -0-                  | \$2.06                                | \$0.50                               | 10/31/11                   |
|                                                     | 400,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| Lucie Letellier                                     | 150,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| William Reed                                        | 400,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| Daniel Hachey                                       | 180,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| Daniel Hachey                                       | 200,000            | -0-                  | \$2.17                                | \$0.50                               | 11/30/11                   |
| Daniel Hachey                                       | 100,000            | -0-                  | \$2.37                                | \$0.50                               | 1/24/11                    |
| John Carden                                         | 180,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| Ian Talbot                                          | 195,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| Michael Clancy                                      | 75,000             | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| Robert Dinning                                      | 50,000             | -0-                  | \$2.25                                | \$0.50                               | 8/22/12                    |
| Michel Stinglhamber                                 | 180,000            | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| (All officers as<br>a group 4)                      | 1,025,000          | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| (Non Officer<br>Directors as a<br>Group(5)          | 1,085,000          | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| (All officers and<br>Directors)                     | 2,110,000          | -0-                  | \$2.42                                | \$0.50                               | 8/22/12                    |
| <i>Non Executive<br/>Officer Employee<br/>Group</i> | 1,039,500 (2)      | -0-                  |                                       |                                      |                            |
| Total                                               | 3,549,500          |                      |                                       |                                      |                            |

1.

Assumes that the fair market value of the date of grant is less than \$.50 share.

2.

Issued at various dates and various strike prices, all options expire 8/22/12. All options will be repriced for current employees.

### **Accounting Implications of the Stock Option Repricing**

Shareholders should note that the repricing of all the outstanding common stock options, if approved by the shareholders and directors, will result in an additional compensation expense of \$250,000 to be recorded in the current quarter of repricing. In addition a corresponding increase (credit) of \$250,000 to contributed surplus will be recorded in the current period of repricing. There is no retroactive effect or restatement of prior periods. The calculation was based on the provisions of SFAS 123 (see example in paragraph A149) using the Black Scholes model with an assumed fair market value of 40 cents per share on the date of repricing and an exercise price of 50 cents and was reviewed by our accountants. Readers are cautioned that if the fair market value per share is higher or lower than 40 cents per share on the date of repricing the compensation expense will be higher or lower. There are no other accounting implications of the proposed stock option repricing.

**The Board unanimously recommends that you vote ``FOR the ratification of the Board s resolution to reprice the exercise price of currently outstanding stock options.**

### **DOCUMENTS INCORPORATED BY REFERENCE**

The SEC allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you to those documents. We incorporate by reference into this Proxy the following documents filed with the SEC:

The following documents are incorporated herein by reference:

1.

Our Quarterly report on Form 10-Q for the period ended September 30, 2008 filed with the SEC on November 14, 2008

We will furnish without charge to you, on written or oral request, a copy of any or all of the documents incorporated by reference, including exhibits to these documents. You should direct any requests for documents to Paramount Gold and Silver Corp. 346 Waverly Street Suite 110 Ottawa, Ontario Canada. K2P OW5, attention: Lucie Letellier, Chief Financial Officer.

### **OTHER MATTERS**

The Board does not know of any other matter that may be brought before the annual meeting. However, if any such other matters are properly brought before the meeting, the proxies may use their own judgment to determine how to vote your shares.

### **TO VOTE BY MAIL**

If you wish to vote by mail, please mark, sign and date your proxy card and return it in the postage paid envelope we have provided or return it to Paramount at 346 Waverley Street Ottawa. Ontario Canada K2P OW5

**FORM OF CERTIFICATE OF AMENDMENT**

**State of Delaware**

**Certificate of Amendment**

**Of Certificate of Incorporation**

**Of Paramount Gold and Silver Corp.**

Paramount Gold and Silver Corp., a corporation organized and existing under and by virtue of the General Corporation Law (the "GCL") of the State of Delaware (the "Corporation");

FIRST: That at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of said Corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this Corporation be amended by changing the Article thereof numbered Fourth so that, as amended, said Article shall be and read as follows: The amount of the total authorized capital stock of this Corporation is 200,000,000 shares of \$0.001 par value common stock.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, at the annual meeting of the stockholders of said Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the state of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the state of Delaware.

IN WITNESS WHEREOF, said Corporation has caused this certificate to be signed by the undersigned, an authorized officer this \_\_\_\_ day of \_\_\_\_\_, 2009

By: \_\_\_\_\_

**PARAMOUNT GOLD AND SILVER CORP.**

**2008/09 STOCK INCENTIVE AND EQUITY COMPENSATION PLAN**

**ARTICLE I**

**PURPOSE**

The purpose of this Paramount Gold and Silver Corp. 2008/09 Stock Incentive and Compensation Plan (the **Plan**) is to enhance the profitability and value of Paramount Gold and Silver Corp. (the **Company**) for the benefit of its stockholders by enabling the Company (i) to offer employees and consultants of the Company and its Affiliates stock based incentives and other equity interests in the Company, thereby creating a means to raise the level of stock ownership by employees and consultants in order to attract, retain and reward such employees and consultants and strengthen the mutuality of interests between employees or consultants and the Company's stockholders and (ii) to offer equity based awards to non-employee directors thereby attracting, retaining and rewarding such non-employee directors and strengthening the mutuality of interests between non-employee directors and the Company's stockholders.

**ARTICLE II**

**DEFINITIONS**

For purposes of this Plan, the following terms shall have the following meanings:

2.1 **Affiliate** shall mean, other than the Company, each of the following: (i) any Subsidiary; (ii) any Parent; (iii) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Affiliates; and (iv) any other entity, approved by the Committee as an Affiliate under the Plan, in which the Company or any of its Affiliates has a material equity interest.

2.2 **Award** shall mean any award under this Plan of any Stock Option, Stock Appreciation Right or Restricted Stock. All Awards shall be confirmed by, and subject to the terms of, a written agreement executed by the Company and the Participant.

2.3 **Black-out Period** means any black-out period self-imposed by the Company that restricts the purchase and sale of the Company's securities by designated persons for a period of time; for greater certainty a **Black-out Period** includes any quarterly or special black-out period self-imposed by the Company but excludes any cease trade order imposed against the Company or an Insider.

2.4 **Board** shall mean the Board of Directors of the Company.

2.5 **Cause** shall mean, with respect to a Participant's Termination of Employment or Termination of Consultancy, unless otherwise determined by the Committee at grant, or, if no rights of the Participant are reduced, thereafter: (i) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define **cause** (or words of like import)), termination due to a

Participant's dishonesty, fraud, insubordination, willful misconduct, refusal to perform services (for any reason other than illness or incapacity) or materially unsatisfactory performance of his or her duties for the Company as determined by the Committee in its sole discretion; or (ii) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines "cause" (or words of like import), as defined under such agreement; provided, however, that with regard to any agreement that conditions "cause" on occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant's Termination of Directorship, Cause shall mean an act or failure to act that constitutes "cause" for removal of a director under applicable state corporate law.

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2.6 Change in Control shall have the meaning set forth in Article XI.

2.7 Code shall mean the Internal Revenue Code as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury regulation thereunder.

2.8 Committee shall mean a committee of the Board that may be appointed from time to time by the Board. To the extent determined appropriate by the Board, or to the extent required under Rule 16b-3 and Section 162(m) of the Code, such committee shall consist of one or more non-employee directors, each of whom shall be a non-employee director as defined in Rule 16b-3 and an outside director as defined under Section 162(m) of the Code. To the extent that no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance with the requirements of Rule 16b-3 or Section 162(m) of the Code shall not affect the validity of the awards, grants, interpretations or other actions of the Committee. Notwithstanding the foregoing, with respect to the application of the Plan to non-employee directors, Committee shall mean the Board.

2.9 Common Stock shall mean the Company's common stock, \$0.001 par value per share, of the Company.

2.10 Company shall mean Paramount Gold and Silver Corp., a Delaware corporation.

2.11 Consultant shall mean any advisor or consultant to the Company or an Affiliate who is eligible pursuant to Article V to be granted Awards under this Plan.

2.12 Disability shall mean total and permanent disability, as defined in Section 22(e)(3) of the Code.

2.13 Eligible Employees shall mean the employees or Consultants of the Company and its Affiliates who are eligible pursuant to Article V to be granted Awards under this Plan. Notwithstanding the foregoing, with respect to the grant of Incentive Stock Options, Eligible Employees shall mean the employees of the Company, its directors, whether employee directors or non employee directors, its Subsidiaries and its Parents who are eligible pursuant to Article V to be granted Stock Options under the Plan.

2.14 Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

2.15 Fair Market Value for purposes of this Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, shall mean, as of any given date: (i) if the Common Stock is listed on a national securities exchange, foreign stock exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the closing price of the Common Stock on the trading market for the Common Stock, as selected by the Committee, on the trading date preceding the given date, as reported by the exchange or Nasdaq, as the case may be, (ii) if the Common Stock is not listed on a national securities exchange, foreign stock 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 determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith, based on reasonable methods set forth under Section 422 of the Code and the regulations thereunder including. For purposes of the grant of any Award, the applicable date shall be the date on which the Award is granted or, in the case of a Stock Appreciation Right, the date a notice of exercise is received by the Committee or, if the sale of Common Stock shall not have been reported or quoted on such date, the first day prior thereto on which the sale of Common Stock was reported or quoted. If the Fair Market Value is determined by a closing price on a foreign stock exchange that reports in a currency other than US dollars, the Fair Market Value shall be converted into US dollars at the most recently published applicable noon exchange rate of the Federal Reserve Bank of New York at the time of the conversion.

2.16 Good Reason with respect to a Participant's Termination of Employment or Termination of Consultancy shall mean (i) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define Good Reason (or words of like import)), or where Good Reason is not otherwise determined by the Committee at grant, or, if no rights of the Participant are reduced, thereafter, a voluntary termination due to good reason, as the Committee, in its sole discretion, decides to treat as a Good Reason termination, or (ii) in the case where there is an employment

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agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines "good reason" (or words of like import), as defined under such agreement; provided, however, that with regard to any agreement that conditions "good reason" on occurrence of a change in control, such definition of "good reason" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter.

2.17 "Incentive Stock Option" shall mean any Stock Option awarded under this Plan intended to be and designated as an Incentive Stock Option within the meaning of Section 422 of the Code.

2.18 "Insider" means an insider, as such term is defined in The Toronto Stock Exchange Company Manual, as amended, of the Company.

2.19 "Limited Stock Appreciation Right" shall mean an Award of a limited Tandem Stock Appreciation Right or a Non-Tandem Stock Appreciation Right made pursuant to Section 8.5 of this Plan.

2.20 "Non-Qualified Stock Option" shall mean any Stock Option awarded under this Plan that is not an Incentive Stock Option.

2.21 "Non-Tandem Stock Appreciation Right" shall mean a Stock Appreciation Right entitling a Participant to receive an amount in cash or Common Stock (as determined by the Committee in its sole discretion) equal to the excess of: (i) the Fair Market Value of a share of Common Stock as of the date such right is exercised, over (ii) the aggregate exercise price of such right.

2.22 "Parent" shall mean any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.23 "Participant" shall mean the following persons to whom an Award has been made pursuant to this Plan: Eligible Employees of, and Consultants to, the Company and its Affiliates and non-employee directors of the Company; provided, however, that non-employee directors shall be Participants for purposes of the Plan solely with respect to Awards pursuant to Article IX.

2.24 "Restricted Stock" shall mean an award of shares of Common Stock under the Plan that is subject to restrictions under Article VII.

2.25 "Restriction Period" shall have the meaning set forth in Subsection 7.3(a) with respect to Restricted Stock for Eligible Employees.

2.26 "Retirement" with respect to a Participant's Termination of Employment or Termination of Consultancy, shall mean a Termination of Employment or Termination of Consultancy without Cause from the Company by a Participant who has attained (i) at least age eighty (80). With respect to a Participant's Termination of Directorship, Retirement shall mean the failure to stand for reelection or the failure to be reelected after a Participant has attained age eighty (80).

2.27 "Rule 16b-3" shall mean Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provisions.

2.28 "Section 162(m) of the Code" shall mean the exception for performance-based compensation under Section 162(m) of the Code and any Treasury regulations thereunder.

2.29 "Stock Appreciation Right" shall mean the right pursuant to an Award granted under Article VIII. A Tandem Stock Appreciation Right shall mean the right to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount in cash or stock equal to the excess of (i) the Fair Market Value, on the date such Stock Option (or such portion thereof) is surrendered, of the Common Stock covered by such Stock Option (or such portion thereof), over

(ii) the aggregate exercise price of such Stock Option (or such portion thereof). A Non-Tandem Stock Appreciation Right shall mean the right to receive an amount in cash or stock equal to the excess of (x) the Fair Market Value of a share of Common Stock on the date such right is exercised, over (y) the aggregate exercise price of such right, other than on surrender of a Stock Option.

2.30 Stock Option or Option shall mean any Option to purchase shares of Common Stock granted to Eligible Employees or Consultants pursuant to Article VI.

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- 2.31 **Subsidiary** shall mean any corporation that is defined as a subsidiary corporation in Section 424(f) of the Code.
- 2.32 **Ten Percent Stockholder** shall mean a person owning Common Stock of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its Subsidiaries and/or its Parents in the manner provided under Section 422 of the Code.
- 2.33 **Termination of Consultancy** shall mean, with respect to an individual, that the individual is no longer acting as a Consultant to the Company or an Affiliate. In the event an entity shall cease to be an Affiliate, there shall be deemed a Termination of Consultancy of any individual who is not otherwise a Consultant of the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee upon the termination of his consultancy, the Committee, in its sole and absolute discretion, may determine that no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant or an Eligible Employee.
- 2.34 **Termination of Directorship** shall mean, with respect to a non-employee director, that the non-employee director has ceased to be a director of the Company.
- 2.35 **Termination of Employment**, except as provided in the next sentence, shall mean (i) a termination of service (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (ii) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant thereupon becomes employed by the Company or another Affiliate. In the event that an Eligible Employee becomes a Consultant upon the termination of his employment, the Committee, in its sole and absolute discretion, may determine that no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee or a Consultant. The Committee may otherwise define Termination of Employment in the Option grant or, if no rights of the Participant are reduced, may otherwise define Termination of Employment thereafter, including, but not limited to, defining Termination of Employment with regard to entities controlling, under common control with or controlled by the Company rather than just the Company and its Affiliates and/or entities that provide substantial services to the Company or its Affiliates to which the Participant has transferred directly from the Company or its Affiliates at the request of the Company.
- 2.36 **Transfer or Transferred** shall mean anticipate, alienate, attach, sell, assign, pledge, encumber, charge or otherwise transfer.
- ARTICLE III**
- ADMINISTRATION**
- 3.1 **THE COMMITTEE.** The Plan shall be administered and interpreted by the Committee or if no Committee, by the Board of Directors.
- 3.2 **AWARDS.** The Committee shall have full authority to:
- (a) to 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 hereunder;
  - (b) to determine whether and to what extent Stock Options, Stock Appreciation Rights, Restricted Stock, Registered Stock or any combination thereof are to be granted hereunder to one or more Eligible Employees or Consultants;
  - (c) to determine, in accordance with the terms of this Plan, the number of shares of Common Stock to be covered by each Award to an Eligible Employee or Consultant granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder to an Eligible Employee or Consultant (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 shares of Common Stock relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion);

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(e)

Intentionally Deleted.

(f)

Intentionally Deleted.

(g) to modify, extend or renew a Stock Option, subject to Article XII hereof, provided, however, that if a Stock Option is modified, extended or renewed and thereby deemed to be the issuance of a new Stock Option under the Code or the applicable accounting rules, the exercise price of such Stock Option may continue to be the original exercise price even if less than the Fair Market Value of the Common Stock at the time of such modification, extension or renewal;

(h) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option, whether a Stock Appreciation Right is a Tandem Stock Appreciation Right or Non-Tandem Stock Appreciation Right or whether an Award is intended to satisfy Section 162(m) of the Code;

(i) to determine whether to require an Eligible Employee or Consultant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Option or as an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Option or Award; and

(j) Intentionally Deleted.

(k) to grant Awards under the Plan as a conversion from, and replacement of, comparable stock options, stock appreciation rights or restricted stock held by employees of another entity who become Eligible Employees of, or Consultants to, the Company or an Affiliate as the result of a merger or consolidation of the employing entity with the Company or an Affiliate, or as the result of the acquisition by the Company of property or stock of the employing corporation. The Company may direct that replacement Awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances, including, without limitation that Non-Qualified Stock Options shall be granted in lieu of Incentive Stock Options.

**3.3 GUIDELINES.** Subject to the terms and conditions of the Plan, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan and perform all acts, including the delegation of its administrative responsibilities, as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of this Plan and any Award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to carry this Plan into effect, but only to the extent any such action would be permitted under the applicable provisions of Rule 16b-3 (if any) and the applicable provisions of Section 162(m) of the Code (if any). The Committee may adopt special guidelines and provisions for persons who are residing in, or subject to the taxes of countries other than the United States to comply with applicable tax and securities laws. If, or to the extent applicable, this Plan is intended to comply with Section 162(m) of the Code and the applicable requirements of Rule 16b-3 and shall be limited, construed and interpreted in a manner so as to comply therewith.

**3.4 DECISIONS FINAL.** Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board, or the Committee (or any of its members) arising out of or in connection with the Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns. The Committee shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the

matters coming before it.

**3.5 RELIANCE ON COUNSEL.** The Company, the Board or the Committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligations or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of such counsel.

**3.6 PROCEDURES.** If the Committee is appointed, the Board may designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the By-Laws of the Company, at such times and places as it shall deem advisable. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination

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reduced to writing and signed by all Committee members in accordance with the By-Laws of the Company shall be fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

**3.7 DESIGNATION OF CONSULTANTS--LIABILITY.**(a) The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan and may grant authority to employees to execute agreements or other documents on behalf of the Committee.

(b) The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any person designated pursuant to paragraph (a) above shall not be liable for any action or determination made in good faith with respect to the Plan.

To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it. To the maximum extent permitted by applicable law and the Certificate of Incorporation and By-Laws of the Company and to the extent not covered by insurance, each employee of the Company and member or former member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the employees, officers, directors or members or former officers, directors or members may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or Affiliate. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under this Plan.

## **ARTICLE IV**

### **SHARE AND OTHER LIMITATIONS**

**4.1 SHARES.**(a) **GENERAL LIMITATION.** The aggregate number of shares of Common Stock which may be issued or used for reference purposes under this Plan or with respect to which other Awards may be granted shall not exceed 4,000,000 (four million) shares (subject to any increase or decrease pursuant to Section 4.2) which may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company.

If any Option or Stock Appreciation Right granted under this Plan expires, terminates or is canceled for any reason without having been exercised in full or, with respect to Options, the Company repurchases any Option pursuant to Section 6.3(f), the number of shares of Common Stock underlying the repurchased Option, and/or the number of shares of Common Stock underlying any unexercised Stock Appreciation Right or Option shall again be available for the purposes of Awards under the Plan. If a Tandem Stock Appreciation Right or a Limited Stock Appreciation Right is granted in tandem with an Option, such grant shall only apply once against the maximum number of shares of Common Stock which may be issued under this Plan. In determining the number of shares of Common Stock available for Awards other than Awards of Incentive Stock Options, if Common Stock has been delivered or exchanged by a Participant as full or partial payment to the Company for the exercise price or for withholding taxes, in connection with the exercise of a Stock Option or the number shares of Common Stock otherwise deliverable has been reduced for full or partial payment for the exercise price or for withholding taxes, the number of shares of Common Stock delivered, exchanged or reduced shall again be available for purposes of Awards under this Plan.

In the event Awards are granted to employees or Consultants pursuant to Section 3.2(1), the aggregate number of shares of Common Stock available under the Plan for Awards other than Incentive Stock Options shall be increased by the number of shares of Common Stock which may be issued or used for reference with respect to those Awards granted pursuant to Section 3.2(1). The maximum number of shares of Common Stock which may be

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issued under this Plan with respect to Incentive Stock Options shall not be increased (subject to any increase or decrease pursuant to Section 4.2).

Notwithstanding anything else contained herein to the contrary, the Committee shall be prohibited from granting any Award if the aggregate number of shares of Common Stock (i) issued to Insiders of the Company within any one year period, or (ii) issuable to Insiders at any time, under this Plan and any other security based compensation arrangement of the Company, could exceed 10% of the Company's shares of Common Stock issued and outstanding, on a non-diluted basis, at the time of the grant of the Award.

4.2 CHANGES.(a) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company or its Affiliates, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting Common Stock, the dissolution or liquidation of the Company or its Affiliates, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.

(b) In the event of any such change in the capital structure or business of the Company by reason of any stock dividend or distribution, stock split or reverse stock split, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, distribution with respect to its outstanding Common Stock or capital stock other than Common Stock, sale or transfer of all or part of its assets or business, reclassification of its capital stock, or any similar change affecting the Company's capital structure or business and the Committee determines an adjustment is appropriate under the Plan, then the aggregate number and kind of shares which thereafter may be issued under this Plan, the number and kind of shares or other property (including cash) to be issued upon exercise of an outstanding Option or other Awards granted under this Plan and the purchase price thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under this Plan or as otherwise necessary to reflect the change, and any such adjustment determined by the Committee shall be binding and conclusive on the Company and all Participants and employees and their respective heirs, executors, administrators, successors and assigns.

(c) Fractional shares of Common Stock resulting from any adjustment in Options or Awards pursuant to Section 4.2(a) or (b) shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half ( $1/2$ ) and rounding-up for fractions equal to or greater than one-half ( $1/2$ ). No cash settlements shall be made with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Option or Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(d) In the event of a merger or consolidation in which the Company is not the surviving entity or in the event of any transaction that results in the acquisition of substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all of the Company's assets (all of the foregoing being referred to as Acquisition Events), then the Committee may, in its sole discretion, terminate all outstanding Options and Stock Appreciation Rights of Eligible Employees and Consultants, effective as of the date of the Acquisition Event, by delivering notice of termination to each such Participant at least twenty (20) days prior to the date of consummation of the Acquisition Event; provided, that during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise in full all of his or her Options and Stock Appreciation Rights that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Option or Award Agreements) but contingent on occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise shall be null and void.

(e) If an Acquisition Event occurs, to the extent the Committee does not terminate the outstanding Options and Stock Appreciation Rights pursuant to this Section 4.2(d), then the provisions of Section 4.2(b) shall apply.

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## **ARTICLE V**

### **ELIGIBILITY**

5.1 All employees, directors, 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, subject to any filing requirements, under this Plan. All employees of the Company, its Subsidiaries and its Parents are eligible to be granted Incentive Stock Options under the Plan. Eligibility under this Plan shall be determined by the Committee.

## **ARTICLE VI**

### **STOCK OPTION GRANTS**

6.1 **OPTIONS.** Each Stock Option granted hereunder shall be one of two types: (i) an Incentive Stock Option intended to satisfy the requirements of Section 422 of the Code or (ii) a Non-Qualified Stock Option.

6.2 **GRANTS.** The Committee shall have the authority to grant to any Eligible Employee one or more Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights). The Committee shall have the authority to grant to any Consultant one or more Non-Qualified Stock Options (with or without Stock Appreciation Rights). To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not qualify, shall constitute a separate Non-Qualified Stock Option. Notwithstanding any other provision of this Plan to the contrary or any provision in an agreement evidencing the grant of a Stock Option to the contrary, any Stock Option granted to an Eligible Employee of an Affiliate (other than an Affiliate which is a Parent or a Subsidiary) or to any Consultant shall be a Non-Qualified Stock Option.

6.3 **TERMS OF OPTIONS.** Options granted under this Plan shall be subject to the following terms and conditions, shall be subject to Section 3.2 hereof and the other provisions of this Plan, and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem desirable:

(a) **OPTION PRICE.** The option price per share of Common Stock purchasable under either an Incentive Stock Option or Non-Qualified Stock Option shall be determined by the Committee at the time of grant but shall not be less than 100% of the Fair Market Value of the share of Common Stock at the time of grant. Notwithstanding the foregoing, if an Option is modified, extended or renewed and, thereby, deemed to be the issuance of a new Option under the Code, the exercise price of an Option may continue to be the original exercise price even if less than the Fair Market Value of the Common Stock at the time of such modification, extension or renewal.

(b) **OPTION TERM.** 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 Option is granted. If any Stock Options are set to expire during any Black-out Period which would prohibit the option holder from exercising the Stock Option during that Black-out Period, then in that event the option term shall be extended for an additional ten (10) business days beyond the end of any Black-out Period to permit the option holder to exercise the Stock Option (the Black-out Expiration Term). The Black-out Expiration Term is fixed and shall not be subject to the discretion of the Board of Directors or the Committee.

(c) **EXERCISABILITY.** Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations (including, without limitation, that it is exercisable only in installments or within certain time periods), the Committee may waive such limitations on the exercisability at any time at or after grant in whole or in part (including, without limitation, that the Committee may waive the installment exercise provisions or accelerate the time at which Options may be exercised), based on such factors, if any, as the

Committee shall determine, in its sole discretion.

(d) METHOD OF EXERCISE. Subject to whatever installment exercise and waiting period provisions apply under subsection (c) above, Stock Options 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 shares of Common Stock to be purchased. At or after grant, payment in full or in part may be made at the election of the optionee as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) if the Common Stock is traded on a national securities exchange, the Nasdaq Stock Market, Inc. or quoted on a national quotation system

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sponsored by the National Association of Securities Dealers, through a cashless exercise procedure whereby the Participant delivers irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the purchase price, (iii) in the form of Common Stock owned by the Participant (and for which the Participant has good title free and clear of any liens and encumbrances) or (iv) in the form of Restricted Stock; provided, however, that in each case, such payment is equivalent to on the Fair Market Value of the Common Stock on the payment date as determined by the Committee (without regard to any forfeiture restrictions applicable to such Restricted Stock). No shares of Common Stock shall be issued until full payment, (and if payment is by installments all payments have been received), as provided herein, therefor has been made or provided for. If payment in full or in part has been made in the form of Restricted Stock, an equivalent number of shares of Common Stock issued on exercise of the Option shall be subject to the same restrictions and conditions, during the remainder of the Restriction Period, applicable to the Restricted Stock surrendered therefor.

(e) INCENTIVE STOCK OPTION LIMITATIONS. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under the Plan and/or any other stock option plan of the Company or any Subsidiary or Parent exceeds \$100,000, such Options shall be treated as Options which are not Incentive Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary or Parent at all times from the time the Option is granted until three (3) months prior to the date of exercise (or such other period as required by applicable law), such Option shall be treated as an Option which is not a Non-Qualified Stock Option.

Should the foregoing provision not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(f) BUY OUT AND SETTLEMENT PROVISIONS. The Committee may at any time on behalf of the Company offer to buy out an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made.

(g) FORM, MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS. Subject to the terms and conditions and within the limitations of the Plan, an Option shall be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may modify, extend or renew outstanding Options granted under the Plan (provided that the rights of a Participant are not reduced without his consent), or accept the surrender of outstanding Options (up to the extent not theretofore exercised) and authorize the granting of new Options in substitution therefor (to the extent not theretofore exercised).

(h) DEFERRED DELIVERY OF COMMON SHARES. The Committee may in its discretion permit Participants to defer delivery of Common Stock acquired pursuant to a Participant's exercise of an Option in accordance with the terms and conditions established by the Committee.

6.4 TERMINATION OF EMPLOYMENT. The following rules apply with regard to Options upon the Termination of Employment or Termination of Consultancy of a Participant:

(a) TERMINATION BY REASON OF DEATH. If a Participant's Termination of Employment or Termination of Consultancy is by reason of death, any Stock Option held by such Participant, unless otherwise determined by the Committee at grant or, if no rights of the Participant's estate are reduced, thereafter, may be exercised, to the extent exercisable at the Participant's death, by the legal representative of the estate, at any time within a period of one (1) year from the date of such death, but in no event beyond the expiration of the stated term of such Stock Option.

(b) TERMINATION BY REASON OF DISABILITY. If a Participant's Termination of Employment or Termination of Consultancy is by reason of Disability, any Stock Option held by such Participant, unless otherwise determined by

the Committee at grant or, if no rights of the Participant are reduced, thereafter, may be exercised, to the extent exercisable at the Participant's termination, by the Participant (or the legal representative of the Participant's estate if the Participant dies after termination) at any time within a period of one (1) year from the date of such termination, but in no event beyond the expiration of the stated term of such Stock Option.

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(c) **TERMINATION BY REASON OF RETIREMENT.** If a Participant's Termination of Employment or Termination of Consultancy is by reason of Retirement, any Stock Option held by such Participant, unless otherwise determined by the Committee at grant, or, if no rights of the Participant are reduced, thereafter, shall be fully vested and may thereafter be exercised by the Participant at any time within a period of one (1) year from the date of such termination, but in no event beyond the expiration of the stated term of such Stock Option; provided, however, that, if the Participant dies within such exercise period, any unexercised Stock Option held by such Participant shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of one (1) year (or such other period as the Committee may specify at grant or, if no rights of the Participant's estate are reduced, thereafter) from the date of such death, but in no event beyond the expiration of the stated term of such Stock Option.

(d) **INVOLUNTARY TERMINATION WITHOUT CAUSE OR TERMINATION FOR GOOD REASON.** If a Participant's Termination of Employment or Termination of Consultancy is by involuntary termination without Cause or for Good Reason, any Stock Option held by such Participant, unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, may be exercised, to the extent exercisable at termination, by the Participant at any time within a period of ninety (90) days from the date of such termination, but in no event beyond the expiration of the stated term of such Stock Option.

(e) **TERMINATION WITHOUT GOOD REASON.** If a Participant's Termination of Employment or Termination of Consultancy is voluntary 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 of Employment or Termination of Consultancy by the Company for Cause (without regard to any notice or cure period requirements), any Stock Option held by such Participant, unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, 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.

(f) **OTHER TERMINATION.** Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, if a Participant's Termination of Employment or Termination of Consultancy is for any reason other than death, Disability, Retirement, Good Reason, involuntary termination without Cause or voluntary termination as provided in subsection (e) above, any Stock Option held by such Participant shall thereupon terminate and expire as of the date of termination, provided that (unless the Committee determines a different period upon grant or, if no rights of the Participant are reduced, thereafter) in the event the termination is for Cause or is a voluntary termination without Good Reason within ninety (90) days after occurrence of an event which would be grounds for Termination of Employment or Termination of Consultancy by the Company for Cause (without regard to any notice or cure period requirement), any Stock Option held by the Participant at the time of occurrence of the event which would be grounds for Termination of Employment or Termination of Consultancy by the Company for Cause shall be deemed to have terminated and expired upon occurrence of the event which would be grounds for Termination of Employment or Termination of Consultancy by the Company for Cause.

## **ARTICLE VII**

### **STOCK AWARDS**

**7.1 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 (subject to Section 7.2), 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.

7.2 AWARDS AND CERTIFICATES. The prospective Participant selected to receive a Stock Award shall not have any rights with respect to such Award, unless and until such Participant has delivered a fully executed copy of the applicable agreement evidencing the Award (the Stock Award Agreement ) to the Company and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) PURCHASE PRICE. The purchase price of Restricted Stock shall be fixed by the Committee.

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(b) ACCEPTANCE. Stock Awards must be accepted within a period of sixty (60) days (or such shorter period as the Committee may specify at grant) after the Award date, by executing a Stock Award Agreement and by paying whatever price (if any) the Committee has designated thereunder.

(c) LEGEND. If the Company should issue to a Plan Participant restricted shares of common stock, the Company may place an appropriate restrictive legend on the Shares so issued.

(d) CUSTODY. The Committee may require that any stock certificates evidencing restricted shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock Award, the Participant shall have delivered a duly signed stock power, endorsed in blank, relating to the Common Stock covered by such Award.

**7.3 RESTRICTIONS AND CONDITIONS ON RESTRICTED STOCK AWARDS.** The shares of Restricted Stock awarded pursuant to this Plan shall be subject to Article X and the following restrictions and conditions:

(a) RESTRICTION PERIOD; VESTING AND ACCELERATION OF VESTING. The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under this Plan during a period set by the Committee (the Restriction Period ) commencing with the date of such Award, as set forth in the Restricted Stock Award agreement and such agreement shall set forth a vesting schedule and any events which would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service, or other criteria determined by the Committee, the Committee may provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award.

(b) RIGHTS AS STOCKHOLDER. Except as provided in this subsection (b) and subsection (a) above and as otherwise determined by the Committee, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company including, without limitation, the right to receive any dividends, the right to vote such shares and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares. Notwithstanding the foregoing, the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period, unless the Committee, in its sole discretion, specifies otherwise at the time of the Award.

(c) LAPSE OF RESTRICTIONS. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant except as otherwise required by applicable law.

(d) TERMINATION OF EMPLOYMENT OR TERMINATION OF CONSULTANCY FOR RESTRICTED STOCK. Subject to the applicable provisions of the Restricted Stock Award agreement and this Plan, upon a Participant's Termination of Employment or Termination of Consultancy for any reason during the relevant Restriction Period, all Restricted Stock still subject to restriction will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant or thereafter.

## **ARTICLE VIII**

### **STOCK APPRECIATION RIGHTS**

**8.1 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 this 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.

8.2 TERMS AND CONDITIONS OF TANDEM STOCK APPRECIATION RIGHTS. Tandem Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of this Plan, as shall be determined from time to time by the Committee, including Article X and the following: (a) TERM. 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

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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.

(b) EXERCISABILITY. Tandem Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Reference Stock Options to which they relate shall be exercisable in accordance with the provisions of Article VI and this Article VIII.

(c) METHOD OF EXERCISE. A Tandem Stock Appreciation Right may be exercised by an optionee by surrendering the applicable portion of the Reference Stock Option. Upon such exercise and surrender, the Participant shall be entitled to receive an amount determined in the manner prescribed in this Section 8.2. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the related Tandem Stock Appreciation Rights have been exercised.

(d) PAYMENT. 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 (as chosen by the Committee in its sole discretion) 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. If the Committee elects to pay such amount to a Participant in Common Stock, such Common Stock shall be valued at Fair Market Value on the day of exercise of the Tandem Stock Appreciation Right.

(e) DEEMED EXERCISE OF REFERENCE STOCK OPTION. Upon the exercise of a Tandem Stock Appreciation Right, the Reference Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Article IV of the Plan on the number of shares of Common Stock to be issued under the Plan.

8.3 NON-TANDEM STOCK APPRECIATION RIGHTS. Non-Tandem Stock Appreciation Rights may also be granted without reference to any Stock Options granted under this Plan.

8.4 TERMS AND CONDITIONS OF NON-TANDEM STOCK APPRECIATION RIGHTS. Non-Tandem Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of this Plan, as shall be determined from time to time by the Committee, including Article X and the following:

(a) TERM. 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.

(b) EXERCISABILITY. 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. If the Committee provides, in its discretion, that any such right is exercisable subject to certain limitations (including, without limitation, that it is exercisable only in installments or within certain time periods), the Committee may waive such limitation on the exercisability at any time at or after grant in whole or in part (including, without limitation, that the Committee may waive the installment exercise provisions or accelerate the time at which rights may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion.

(c) METHOD OF EXERCISE. Subject to whatever installment exercise and waiting period provisions apply under subsection (b) above, 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.

(d) PAYMENT. 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 (as chosen by the Committee in its sole discretion) 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. If the Committee elects to pay such amount to a Participant in Common Stock, such Common Stock shall be valued at Fair Market Value as the day of exercise of the Non-Tandem Stock Appreciation Right.

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**8.5 LIMITED STOCK APPRECIATION RIGHTS.** The Committee may, in its sole discretion, grant Tandem and Non-Tandem Stock Appreciation Rights either as a general Stock Appreciation Right or as a Limited Stock Appreciation Right. Limited Stock Appreciation Rights may be exercised only upon a Change in Control (to the extent provided in an Award agreement granting such Limited Stock Appreciation Rights) or the occurrence of such other event as the Committee may, in its sole discretion, designate at the time of grant or thereafter. Upon the exercise of Limited Stock Appreciation Rights, except as otherwise provided in an Award agreement, the Participant shall receive in cash or Common Stock, as determined by the Committee, an amount equal to the amount (1) set forth in Section 8.2(d) with respect to Tandem Stock Appreciation Rights or (2) set forth in Section 8.4(d) with respect to Non-Tandem Stock Appreciation Rights.

**8.6 TERMINATION OF EMPLOYMENT OR TERMINATION OF CONSULTANCY.** The following rules apply with regard to Stock Appreciation Rights upon the Termination of Employment or Termination of Consultancy of a Participant:

(a) **TERMINATION BY DEATH.** If a Participant's Termination of Employment or Termination of Consultancy is by reason of death, any Stock Appreciation Right held by such Participant, unless otherwise determined by the Committee at grant or if no rights of the Participant's estate are reduced, thereafter, may be exercised, to the extent exercisable at the Participant's death, by the legal representative of the estate, at any time within a period of one (1) year from the date of such death or until the expiration of the stated term of such Stock Appreciation Right, whichever period is the shorter.

(b) **TERMINATION BY REASON OF DISABILITY.** If a Participant's Termination of Employment or Termination of Consultancy is by reason of Disability, any Stock Appreciation Right held by such participant, unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, may be exercised, to the extent exercisable at the Participant's termination, by the Participant (or the legal representative of the Participant's estate if the Participant dies after termination) at any time within a period of one (1) year from the date of such termination or until the expiration of the stated term of such Stock Appreciation Right, whichever period is the shorter.

(c) **TERMINATION BY REASON OF RETIREMENT.** If a Participant's Termination of Employment or Termination of Consultancy is by reason of Retirement, any Stock Appreciation Right held by such Participant, unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, shall be fully vested and may thereafter be exercised by the Participant at any time within a period of one (1) year from the date of such termination or until the expiration of the stated term of such right, whichever period is the shorter; provided, however, that, if the Participant dies within such one (1) year period, any unexercised Non-Tandem Stock Appreciation Right held by such Participant shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of one (1) year (or such other period as the Committee may specify at grant or if no rights of the Participant are reduced, thereafter) from the date of such death or until the expiration of the stated term of such right, whichever period is the shorter.

(d) **INVOLUNTARY TERMINATION WITHOUT CAUSE OR TERMINATION FOR GOOD REASON.** If a Participant's Termination of Employment or Termination of Consultancy is by involuntary termination without Cause or for Good Reason, any Stock Appreciation Right held by such participant, unless otherwise determined by the Committee at grant or if no rights of the participant are reduced, thereafter, may be exercised, to the extent exercisable at termination, by the Participant at any time within a period of ninety (90) days from the date of such termination or until the expiration of the stated term of such right, whichever period is shorter.

(e) **TERMINATION WITHOUT GOOD REASON.** If a Participant's Termination of Employment or Termination of Consultancy is voluntary 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 of Employment or Termination of Consultancy by the Company for Cause (without regard to any notice or cure period requirements), any Stock Appreciation Right held

by such Participant, unless greater or lesser exercise rights are provided by the Committee at the time of grant or, if no rights of the participant are reduced, thereafter, 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 Appreciation Right.

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(f) OTHER TERMINATION. Unless otherwise determined by the Committee at grant, or, if no rights of the Participant are reduced thereafter, if a Participant's Termination of Employment or Termination of Consultancy is for any reason other than death, Disability, Retirement, Good Reason, involuntary termination without Cause or voluntary termination as provided in subsection (e) above, any Stock Appreciation Right held by such Participant shall thereupon terminate or expire as of the date of termination, provided, that (unless the Committee determines a different period upon grant, or, if no rights of the Participant are reduced, thereafter) in the event the termination is for Cause or is a voluntary termination as provided in subsection (e) above, within ninety (90) days after occurrence of an event which would be grounds for Termination of Employment or Termination of Consultancy by the Company for Cause (without regard to any notice or cure period requirement), any Stock Appreciation Right held by the Participant at the time of the occurrence of the event which would be grounds for Termination of Employment or Termination of Consultancy by the Company for Cause shall be deemed to have terminated and expired upon occurrence of the event which would be grounds for Termination of Employment or Termination of Consultancy by the Company for Cause.

## **ARTICLE IX**

### **INTENTIONALLY DELETED**

## **ARTICLE X**

### **NON-TRANSFERABILITY**

Except as provided in the last sentence of this Article X, no Stock Option or Stock Appreciation Right granted to an Employee or Consultant 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 an Employee or Consultant shall be exercisable, during the Participant's lifetime, only by the Participant. Tandem Stock Appreciation Rights shall be Transferable, to the extent permitted above, only with the underlying Stock Option. Shares of Restricted Stock under Article VII may not be Transferred prior to the date on which shares are issued, or, if later, the date on which any applicable restriction lapses. No Award shall, except as otherwise specifically provided by law or herein, be Transferable in any manner, and any attempt to Transfer any such Award shall be void, and no such Award shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Award, nor shall it be subject to attachment or legal process for or against such person. All Stock Options granted to non-employee directors shall be Transferable solely to such non-employee director's principal employer (other than the Company or an Affiliate) at the time of grant if the terms of such non-employee director's employment so require. Notwithstanding the foregoing, the Committee may determine at the time of grant or thereafter, that a Non-Qualified Stock Option that is otherwise not transferable pursuant to this Article X is transferable in whole or part and in such circumstances, and under such conditions, as specified by the Committee.

## **ARTICLE XI**

### **CHANGE IN CONTROL PROVISIONS**

11.1 BENEFITS. In the event of a Change in Control of the Company (as defined below), except as otherwise provided by the Committee upon the grant of an Award, each Participant shall have the following benefits: (a) Unless otherwise provided in the applicable award agreement, all outstanding Options and the related Tandem Stock Appreciation Rights and Non-Tandem Stock Appreciation Rights of such Participant granted prior to the Change in Control shall be fully vested and immediately exercisable in their entirety. The Committee, in its sole discretion, may provide for the purchase of any such Stock Options by the Company for an amount of cash equal to the excess of the Change in Control Price (as defined below) of the shares of Common Stock covered by such Stock Options, over the aggregate exercise price of such Stock Options. For purposes of this Section 11.1, Change in Control Price shall mean the higher of (i) the highest price per share of Common Stock paid in any transaction related to a Change in Control of the Company, or (ii) the highest Fair Market Value per share of Common Stock at any time during the sixty (60) day

period preceding a Change in Control.

(b) Unless otherwise provided in the applicable award agreement, the restrictions to which any shares of Restricted Stock of such Participant granted prior to the Change in Control are subject shall lapse as if the applicable Restriction Period had ended upon such Change in Control.

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(c) Notwithstanding anything else herein, the Committee may, in its sole discretion, provide for accelerated vesting of an Award upon a Termination of Employment during the Pre-Change in Control Period. Unless otherwise determined by the Committee, the Pre-Change in Control Period shall mean the one hundred eighty (180) day period prior to a Change in Control.

11.2 CHANGE IN CONTROL. A Change in Control shall be deemed to have occurred:

(a) upon any person as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company, becoming the owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities (including, without limitation, securities owned at the time of any increase in ownership);

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (a), (c), or (d) of this section) or a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors of the Company whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board of Directors;

(c) upon the merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than those covered by the exceptions in (a) above) acquires more than forty percent (40%) of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control of the Company; or

(d) upon the stockholder's of the Company approval of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets other than the sale of all or substantially all of the assets of the Company to a person or persons who beneficially own, directly or indirectly, at least fifty percent (50%) or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

## ARTICLE XII

### TERMINATION OR AMENDMENT OF THE PLAN

12.1 TERMINATION OR AMENDMENT. Notwithstanding any other provision of this Plan, the Board may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate it entirely, retroactively or otherwise, without stockholder approval. By way of example and without limiting the generality of the foregoing, the Board of Directors reserves the right, without stockholder approval, to (i) make amendments of a clerical nature that clarify language or understanding of the terms of the Plan, (ii) amend the vesting provisions of a Stock Option or the Plan, (iii) amend the provisions with respect to termination or death of a

Participant, including but not limited to the length of time to exercise a Stock Option upon termination or death, (iv) add a deferred or restricted share unit or any other provision which results in Participants receiving Common Stock while no cash consideration is received by the Company; (v) change the method of calculating a minimum exercise price per Common Stock for Stock Options under Section 6.3 of the Plan; and (vi) adjust accordingly the number of Common Stock available under the Plan, the Common Stock subject to any Award and the exercise price of the Common Stock subject to Stock Options as a result of the events described in Section 4.2(b) of the Plan. (c) Without limiting the generality of the foregoing, the Board of Directors reserves the right,

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without stockholder approval, to (i) make amendments of a clerical nature that clarify language or understanding of the terms of the Plan, (ii) amend the vesting provisions of a Stock Option or the Plan, (iii) amend the provisions with respect to termination or death of a Participant, including but not limited to the length of time to exercise a Stock Option upon termination or death, (iv) add a deferred or restricted share unit or any other provision which results in Participants receiving Common Stock while no cash consideration is received by the Company; (v) change the method of calculating a minimum exercise price per Common Stock for Stock Options under Section 6.3 of the Plan; and (vi) adjust accordingly the number of Common Stock available under the Plan, the Common Stock subject to any Award and the exercise price of the Common Stock subject to Stock Options as a result of the events described in Section 4.2(b) of the Plan. Notwithstanding the foregoing:

(a) unless otherwise required by law or specifically provided herein, 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

(b) stockholder approval shall be required, only if and to the extent required by the rules of a stock exchange on which the Company's Common Stock is listed for trading, the applicable provisions of Rule 16b-3 or, if and to the extent required, under the applicable provisions of Section 162(m) of the Code, or with regard to Incentive Stock Options, Section 422 of the Code, for an amendment which would (i) except as permitted in Section 4.1(a), increase the aggregate number of shares of Common Stock that may be issued under this Plan; (ii) change the classification of employees, Consultants, directors and non-employee directors eligible to receive Awards under this Plan; (iii) decrease the minimum option price of any Stock Option; (iv) extend the maximum option period under Section 6.3; (v) change any rights under the Plan with regard to non-employee directors; or (vi) require stockholder approval in order for the Plan to continue to comply with the applicable provisions, if any, of Rule 16b-3, Section 162(m) of the Code, any applicable state law, or, with regard to Incentive Stock Options, Section 422 of the Code.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV above or as otherwise specifically provided herein, no such amendment or other action by the Committee shall impair the rights of any holder without the holder's consent.

### **ARTICLE XIII**

#### **UNFUNDED PLAN**

This Plan is intended to constitute an unfunded plan for incentive compensation. With respect to any payments as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

### **ARTICLE XIV**

#### **GENERAL PROVISIONS**

14.1 LEGEND. The Committee may require each person receiving shares pursuant to an Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on Transfer. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national securities association system upon whose system the Common Stock is then quoted, any applicable federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make

appropriate reference to such restrictions.

14.2 OTHER PLANS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

14.3 NO RIGHT TO EMPLOYMENT/DIRECTORSHIP. Neither this Plan nor the grant of any Award hereunder shall give any Participant or other employee any right with respect to continuance of employment by the Company or any Affiliate, nor shall there be a limitation in any way on the right of the Company or any Affiliate by

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which an employee is employed to terminate his employment at any time. Neither this Plan nor the grant of any Award hereunder shall impose any obligations on the Company to retain any Participant as a director nor shall it impose on the part of any Participant any obligation to remain as a director of the Company.

**14.4 WITHHOLDING OF TAXES.** The Company shall have the right to deduct from any payment to be made to a Participant, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any Federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock, or upon making an election under Code Section 83(b), a Participant shall pay all required withholding to the Company. The Committee may permit any such withholding obligation with regard to any Participant to be satisfied by reducing the number of shares of Common Stock otherwise deliverable or by delivering shares of Common Stock already owned. Any fraction of a share of Common Stock required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

**14.5 LISTING AND OTHER CONDITIONS.**

(a) Intentionally Deleted.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act of 1933, as amended, or otherwise with respect to shares of Common Stock or Awards, and the right to exercise any Option shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

**14.6 GOVERNING LAW.** This Plan shall be governed and construed in accordance with the laws of the state of incorporation of the Company (regardless of the law that might otherwise govern under applicable principles of conflict of laws).

**14.7 CONSTRUCTION.** Wherever any words are used in this Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply. To the extent applicable, the Plan shall be limited, construed and interpreted in a manner so as to comply with the applicable requirements of Rule 16b-3 and Section 162(m) of the Code; however, noncompliance with Rule 16b-3 or Section 162(m) of the Code shall have no impact on the effectiveness of a Stock Option granted under the Plan.

**14.8 OTHER BENEFITS.** No Award payment under this Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its subsidiaries nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

**14.9 COSTS.** The Company shall bear all expenses included in administering this Plan, including expenses of issuing Common Stock pursuant to any Awards hereunder.

**14.10 NO RIGHT TO SAME BENEFITS.** The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

**14.11 DEATH/DISABILITY.** The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer

of an Award. The Committee may also require the agreement of the transferee to be bound by all of the terms and conditions of the Plan.

14.12 SECTION 16(b) OF THE EXCHANGE ACT. All elections and transactions under the Plan by persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

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14.13 SEVERABILITY OF PROVISIONS. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

14.14 HEADINGS AND CAPTIONS. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

## **ARTICLE XV**

### **TERM OF PLAN**

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the earlier of the date the Plan is adopted or the date of stockholder approval, but Awards granted prior to such tenth anniversary may extend beyond that date.

## **ARTICLE XVI**

### **NAME OF PLAN**

This Plan shall be known as the **PARAMOUNT GOLD AND SILVER CORP. 2008/09 STOCK INCENTIVE AND EQUITY COMPENSATION PLAN**.

This Plan was duly approved by the Company's Board of Directors and executed as of October 2, 2008.

By order of the Board of Directors

Christopher Crupi, Chairman

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

**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)*

|                                                                           |                                     |                                                 |
|---------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------|
| <b>Delaware</b>                                                           | <b>01-51600</b>                     | <b>20-3690109</b>                               |
| <i>(State or Other Jurisdiction<br/>of Incorporation or Organization)</i> | <i>(Commission<br/>File Number)</i> | <i>(I.R.S. Employer<br/>Identification No.)</i> |

**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

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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.

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

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 \$74,500,000.

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.

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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.

## PART I

### Item 1.

#### Description of Business.

##### Overview and History:

We are a Delaware corporation. We were incorporated on March 29, 2005. Our principal offices are located at Suite 110, 346 Waverley Street, Ottawa, Canada K2P 0W5. We also have a field office located in Temoris, Mexico. We are an exploration stage mining company which has as its core business, precious metals exploration. Our primary objective is to explore and develop the San Miguel project. Through our wholly owned Mexican subsidiary, Paramount Gold De Mexico S.A. de C.V., we currently hold a 70% interest in the San Miguel Property and are the joint venture manager. We also own additional mining concessions in the state of Chihuahua, Mexico. We will continue to explore additional opportunities through other joint ventures and acquisitions. Previously, we entered into agreements to explore properties in Argentina, Chile and Peru. Preliminary drilling results were not favorable and we have for now discontinued drilling operations in these countries. We do not expect to generate revenues from these projects nor is it our objective to enter the mine management business. Rather we hope to identify a resource that will enable us to attract a larger company to partner with who has experience developing and managing a mine.

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

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

Most recently, on July 23, 2008 we completed two private placements totaling \$1,489,000 (\$1.5 million Canadian) whereby we sold a total of one million units at a cost per unit of \$1.39. Each unit consisted of one share of common stock and one half common stock purchase warrant. The warrants are for a term of one year at an exercise price of \$2.10 or for two years at a price of \$2.50 (Canadian) per share.

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

##### Inter-corporate Relationships:

We currently have three wholly owned subsidiaries.

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Paramount Gold de Mexico S.A. CV operates our interest in Mexico

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

We have also in August 2008 formed a Delaware corporation, Paramount Metals Corp. whose focus is base metal exploration.

## **MARKET DESCRIPTION**

### **Gold and Silver:**

We are a precious metals exploration and development company. The gold and silver markets have been strong since 2001, where gold has increased from \$268 per ounce to a high of over \$1,000 per ounce to its current price of approximately \$800 per ounce. Silver has increased from \$4.58 per ounce to a high of \$21.00 per ounce to its current price of approximately \$13.85 per ounce (as of September 5, 2008). Management believes that both the gold and silver markets will remain strong for the foreseeable future. Management believes that for so long as gold remains above \$300 per ounce, the San Miguel Groupings in Mexico, can be commercially exploited.

## **Mexico:**

Mexico is currently one of the world's largest mineral producers. It is an ideal country for mining companies to operate given its stable government and inclusion in NAFTA. There are several world-class mines within a close proximity of the San Miguel property, including the Glamis Gold El Sauzal gold mine. Gammon Lake Resource's Ocampo Gold-Silver Project is approx. 40 miles to the North. Recently acquired Palmarejo, (TSXV:PJO) is developing the nearby Palmarejo mine and has acquired all the ground surrounding San Miguel. Palmarejo has the old Palmarejo mine that has an inferred resource of 3.1 million ounce gold equivalent. Palmarejo's property around San Miguel is currently in an early exploration phase.

## **Regulatory Compliance**

We have obtained drill permits for the San Miguel Groupings.

The Company is not currently subject to direct federal, state or local regulation, other than regulations applicable to businesses generally in the Company's field of endeavors. However, there can be no assurances that the Company will not be subject to such regulation in the future.

## **Employees**

As of August 31, 2008, the Company had 42 employees and consultants, of which 29 are located in Mexico and 13 which are located in Canada and the United States.

## **Facilities**

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 \$ 7,325 (\$6,987 per month Canadian). We also have an office in Temoris, Mexico. All of our office leases are in good standing.

## **San Miguel Groupings.**

Our exploratory activities are concentrated within the San Miguel Groupings.

### *Property Description and Location*

#### Location

The San Miguel Project is located southwestern Chihuahua in Northern Mexico, and is approximately 400 km by road from the state capital. The project is about 20 km north of the town of Temoris, adjacent to the village of Guazapares. It is in the Guazapares mining district, which is part of the Sierra Madre Occidental gold-silver belt. The location of the San Miguel Project is shown in Map 1. The coordinate system used for all maps and sections in this report is the Universal Transverse Mercator system, Zone 12. GPS coordinates are referenced to NAD 27 Mexico.

#### Land Area

The San Miguel project consists of 18 concessions totaling approximately 422.17 hectares clustered along approximately 8 kilometers of vein system strike length near the village of Guazapares and a subparallel vein structure

approximately 3 kilometers to the west, near the village of Batosegachi. Exploration efforts to date have been focused on this group and are set forth in Table one.

In addition to the San Miguel concessions, we have the Andrea, Gissel and Isabel concessions totaling over 84,000 hectares that form the Andrea Project east of the San Miguel Project.

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

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**PROPERTY LOCATION MAP**

**Figure 1: Property Location Map**

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

**Table 1**

**San Miguel Project Concessions**

**San Miguel Project Concession Data**

| <b>Group</b> | <b>Concession Name</b> | <b>Title #</b> | <b>Area (ha)</b> | <b>Owner</b>                          |
|--------------|------------------------|----------------|------------------|---------------------------------------|
| San Miguel   | San Miguel             | 166401         | 12.9458          | PGM (70%) / Amermin (30%) (1)         |
|              | San Juan               | 166402         | 3.00             | PGM (70%) / Amermin (30%)             |
|              | San Luis               | 166422         | 4.00             | PGM (70%) / Amermin (30%)             |
|              | Empalme                | 166423         | 6.00             | PGM (70%) / Amermin (30%)             |
|              | Sangre de Cristo       | 166424         | 41.00            | PGM (70%) / Amermin (30%)             |
|              | Santa Clara            | 166425         | 15.00            | PGM (70%) / Amermin (30%)             |
|              | El Carmen              | 166426         | 59.0864          | PGM (70%) / Amermin (30%)             |
|              | Las Tres BBB           | 166427         | 23.001           | PGM (70%) / Amermin (30%)             |
|              | Swanwick               | 166428         | 70.1316          | PGM (70%) / Amermin (30%)             |
|              | Las Tres SSS           | 166429         | 19.1908          | PGM (70%) / Amermin (30%)             |
|              | El Rosario             | 166430         | 14.00            | PGM (70%) / Amermin (30%)             |
|              | Guadalupe de los Reyes | 172225         | 8.00             | PGM (70%) / Amermin (30%)             |
| La Blanca    | Montecristo            | 213579         | 38.0560          | Victor Manuel Gomez Fregoso           |
|              | Montecristo Fraccion   | 213580         | 0.2813           | Victor Manuel Gomez Fregoso           |
|              | Montecristo II         | 226590         | 27.1426          | Victor Manuel Gomez Fregoso           |
|              | Constituyentes 1917    | 199402         | 66.2403          | Victor Garcia Jimenez                 |
|              | Santa Cruz             | 186960         | 10.00            | Luis Alberto Rascon Herrera           |
|              | Elyca                  | 179842         | 10.0924          | Paramount Gold de Mexico S.A. de C.V. |

(1)

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

**Environmental Reports and Liabilities:**

With the assistance of a Mexican environmental permitting consultant, Paramount has satisfied the requirements regarding permitting for the ongoing exploration program with the office of SEMARNAT in Chihuahua City.

Disturbance associated with exploration work completed by Paramount to date is limited to construction of drill access roads, drill pads and trenches. No direct mining related activities have been carried out.

Except for some mining activities in the early 1900 s, there has been no mining activity on the San Miguel Groupings since the early 1900 s. In the 1990 s a very small and unsuccessful attempt was made to heap leach oxidized silver ores near the north end of the La Union area. It is possible that Paramount may be held responsible for the cleanup of these areas, should a mine be placed into production nearby. Management believes that any environmental cleanup would be minor and relatively inexpensive.

**Climate:**

The Temoris area has a temperate climate. Undisturbed slopes are covered by juniper-pine-oak forests. Rainfall is largely in the summer months, with an annual average of about 8 cm. Maximum temperatures rarely exceed 35 degrees centigrade, and minimum temperatures are rarely less than 5 degrees. The average elevation in the vicinity of Guazapares is 1600 meters. While there can occasionally be snow or heavy rains, it is anticipated that exploration work or mining can continue throughout the year.

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### **Physiography:**

Paramount's San Miguel Project is near the center of the Sierra Madre Occidental range. This range is actually a relatively structurally undisturbed plateau composed of nearly flat-lying Tertiary volcanic rocks. It has been deeply incised by westward-flowing streams that have formed a series of steep walled canyons, or barrancas, separated by narrow plateau remnants.

The San Miguel project area terrain varies from hilly to steeply mountainous. Relief in the immediate project area is 375 meters with elevations varying from approximately 1,400 meters in valley floors to 1,775 meters on hilltops.

Undisturbed slopes in the area are covered by pine-oak forests. Areas with gentler slopes are used for small vegetable, corn plots and cattle pastures.

### **Local Resources, Infrastructure:**

The Temoris area has reasonably good local infrastructure and a workforce familiar with mining operations. Temoris and Chinipas have populations of approximately 1500 to 2000 people each. Guazapares, situated approximately 11 kilometers (13 km and 25 minutes drive via road) north of Temoris and one kilometer from the San Miguel project, is a village of approximately 200 people. Several smaller villages are in the general area including Batosegachi in the San Miguel concession area and San Jose in the San Luis concession area. Basic supplies are available locally in Temoris but travel to Chihuahua is necessary for acquisition of most mining equipment and supplies.

A 33,000 volt power line stretches from Temoris northwest to Chinipas and a branch line was installed to Guazapares, becoming operational in December 2006. The power line to Guazapares is adequate for domestic use but is insufficient for mineral processing. Any future feasibility studies of potential mineral production and processing must consider either upgrading the power line or generating power on site.

Water is available at the project area from local streams and groundwater. Any future feasibility studies of potential mineral production and processing will need to consider the adequacy of available water supplies. Historically, water availability was adequate for underground mining at San Luis by the Alaska-Juneau Company in 1960; excessive water was a problem in the deeper workings. During the year we drilled several water exploration holes under the guidance of a hydrogeologist.

### **Current Agreements with respect to mining concessions:**

#### **San Miguel Group Agreement**

The San Miguel Grouping forms the initial core of the property. It includes the concessions San Miguel, San Juan, San Luis, Empalme, Sangre de Cristo, Santa Clara, El Carmen, Las Tres BBB, Swanwick, Las Tres SSS, El Rosario, and Guadalupe de Los Reyes as listed in Table 1, a total of 275.3556 hectares. The San Miguel Groupings were acquired by Corporacion Amermin S.A., a subsidiary of Tara Gold Resource Corp. Paramount earned its 70% interest in the group by way of an option agreement with Corporacion Amermin S.A. dated August 03, 2005. Under the terms of the joint venture agreement, Paramount has earned its interest in the San Miguel property by making \$450,000 in payments, issuing 700,000 restricted shares of Paramount common stock, and making \$2.5 million in exploration expenditures. Paramount is also the Manager of the Joint Venture agreement effective February 7, 2007. If Corporacion Amermin chooses not to participate financially in the Joint Venture, its interest may be diluted to a 2% NSR, which may be decreased to 1% by a payment of \$500,000 from Paramount to Amermin.

**La Blanca Concession:**

The La Blanca agreement includes the Montecristo, Montecristo II, Monecristo Fraccion, and Constituyentes 1917 concessions as listed in Table 1, a total of 131.7202 hectares. Paramount has invested the required \$500,000 in exploration costs on the concessions and otherwise met its agreements with respect to these concessions. Additional payments will be due the concession owner based upon reserves. As a result of the foregoing, Paramount owns a 90% interest in this concession. Additional payments are linked to the definition of reserves. The sum of \$1.00 is to be paid by August 31, 2007 for each gold-equivalent ounce of mineable reserves defined by December 31, 2006; the sum of \$1.00 is to be paid by February 29, 2008 for

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each gold-equivalent ounce of mineable reserves defined by December 31, 2007 and; the sum of \$1.00 is to be paid by August 31, 2008 for each gold-equivalent ounce of mineable reserves defined by December 31, 2008.

No mineable reserves have been defined to date and no payments have been made.

**Santa Cruz Concession:**

The Santa Cruz concession, totaling 10.00 hectares (Table 1) is subject to a purchase agreement for a price of \$50,000. The full purchase price has been paid. The concession forms part of the Joint Venture area and such there is a 70%/30% Paramount/Amermin equity interest therein.

**Elyca Concession:**

The Elyca concession, totaling 10.0924 hectares (Table 1), was purchased from Minera Rio Tinto, S.A. de C.V. for cash and stock and was registered with the Public Registry of Mining. Paramount owns a 90% joint venture interest in this concession

**Letter of Intent with Mexoro Minerals Ltd.**

In order to increase exploration and drilling opportunities in the San Miguel region, we have signed a Letter of Intent to create a strategic alliance with Mexoro Minerals Ltd., a Colorado corporation and its wholly owned Mexican subsidiary. Mexoro's mining concession are adjacent to our San Miguel grouping. Both companies operate projects in the Guazapares district and the Sierra Madre gold-silver belt. The companies intend to form a joint exploration and development management committee with the responsibility of reviewing and planning the exploration programs of both companies. With respect to the San Miguel property, the agreement would see Paramount's San Miguel, Elyca and Empalme concessions which host the San Miguel vein Clavo 99 area, combined with Mexoro's Encino Gordo project for a land package in excess of 1,000 hectares.

The purpose of the strategic alliance will be to maximize shareholder value through:

A.

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

B.

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

C.

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

In furtherance of these objectives, Paramount has loaned Mexoro Minerals Ltd. ( Mexoro ) a total of \$1,370,000 pursuant to three secured convertible debentures. The first convertible debenture was in the amount of \$500,000. The second convertible debenture was in the amount of \$370,000 and the third convertible debenture was in the amount of \$500,000. All three convertible debentures are secured by the assets of Mexoro, including but not limited to 49,999 (out of 50,000 issued and outstanding shares of common stock) of SunBurst de Mexico S.A. de C.V., a subsidiary of Mexoro. The notes are due May 9, June 18 and July 11, 2009 respectively. The notes provide for interest at the rate of 8% per annum and may be converted into Units of Mexoro at a conversion price of \$.50 per Unit. Each unit consists of one share of Mexoro common stock and one half common stock purchase warrant. Each whole warrant entitles the holder thereof to purchase one share of Mexoro at an exercise price of \$.75 per share. Except with respect to the due dates and the principal amount of the notes, the material terms and conditions of all three secured convertible debentures and the security agreements are identical in form and substance. If all of the convertible debentures and options were converted by Paramount into shares of common stock of Mexoro, Paramount would own approximately 13.3% of the issued and outstanding shares of common stock of Mexoro.

In addition to the funds Paramount has advanced to Mexoro, as part of the Letter of Intent with Mexoro, Paramount has the right to purchase 12 million units of Mexoro at a cost of \$.50 per unit (\$6 million in total). Paramount may complete the private placement at one time or in tranches over time as determined by Paramount in its sole discretion. Paramount was required to subscribe to the first 8 million units (\$4million) by August 5, 2008 and the remaining 4 million Units (\$2 million) no later than November 1, 2008. As of the date of this filing Paramount has not subscribed for the option units and the option has now expired. Paramount has deferred interest payments on the notes receivable until October 10, 2008.

**Figure 2: Location of Paramount's San Miguel concessions and Mexoro's Guazapares concessions east of Paramount's San Miguel-Elyca-Empalme concessions**

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**Figure 3: Location of Paramount's San Miguel-Elyca-Empalme concessions and Mexoro's Encino Gordo project**

**Garibaldi Joint Venture:**

Paramount has entered into a joint venture agreement with Garibaldi Resources Inc. and acquired an interest in 17,208 hectares of property. The new agreement will cover approximately 6,657 hectares previously optioned in 2006 and adds several new parcels totaling 10,543 hectares under the umbrella of a joint venture. The property borders Paramount's San Miguel property and brings a total of over 100,000 hectares of contiguous land holdings in the Guazapares mining district. .

As part of the transaction, Garibaldi will provide Paramount with its geologic data, including the results of its recent regional hyperspectral airborne survey. Paramount will be the exploration manager under the joint venture. As part of the joint venture with Garibaldi, Paramount has made an initial payment to Garibaldi in the amount of \$100,000 to be credited against exploration expenditures. Paramount will earn a 50% interest by making an additional payment of \$400,000, issuing 600,000 restricted shares of its common stock, and spending a total of \$700,000 in exploration costs. Paramount has the opportunity to increase its interest to 70% by spending an additional \$1 million in exploration expenditures within 30 months, making an additional payment of \$500,000, and issuing an additional 400,000 restricted shares of Paramount common stock.

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

**Other Agreements**

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

**Geology:**

Mineralization at the San Miguel project consists of multi-phase epithermal, low to intermediate sulphidation, silver-gold-(lead-zinc) bearing quartz vein and hydrothermal silicified breccia deposits that occur in north-northwest trending, steeply dipping complex fault zones. Quartz veins, silicified breccias, and quartz veinlet stockworks are distributed in an en echelon fashion along eight kilometers of strike length in the Guazapares Fault structure and within the parallel Batosegachic Fault structure approximately 3 km to the west. This type of mineralization is typical of the Sierra Madre Occidental silver-gold metallogenic province and has been exploited in the region since early Spanish colonial times.

Mineralization at the San Miguel Project is hosted by early Tertiary age Lower Volcanic Complex rocks - propylitically altered andesites and lesser rhyodacitic volcanic tuffs and related hypabyssal intrusions.

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We have completed 69 trenches totaling 3,899 meters in various exploration areas along the Guazapares Fault structure. The trenches have been mapped and sampled and have guided diamond drilling. Channel sampling of surface outcrops and roadcuts were also completed at the San Miguel vein in the Batosegachic Fault structure approximately 3 km west of the Guazapares Fault.

We initiated diamond core drilling in April 2006. As of April 30<sup>th</sup>, 2008, 176 HQ size diamond drill holes (2.5 inch core) have been completed totaling 34,926 meters. 132 of the holes have been drilled in mineralized areas along the Guazapares Fault structure and 44 holes have targeted the San Miguel vein in the Batosegachic Fault. Drill core from all holes has been photographed, logged, split, sampled, and analyzed by ALS-Chemex Laboratory for silver, gold, lead and zinc, as well as a variety of trace elements. The diamond drill program will be ongoing, subject to sufficient working capital and additional financing.

Ground magnetic and IP geophysical surveys were conducted over the Project area from September 2007 to March 2008. We have integrated the geophysical data with surface geologic mapping, drilling and trenching data into a Vulcan-based model. It is anticipated that the integration and interpretation of the multi-disciplinary data will generate additional drill targets.

At the end of April 2008, we initiated preliminary metallurgical testing of selected mineralized drill core material. Our exploration to date has identified silver and gold mineralization with accompanying lead and zinc. We have outlined a zone of higher-grade mineralization at the San Miguel vein structure referred to as Clavo 99. Preliminary drilling to date has shown that Clavo 99 persists for nearly 400 meters below the surface and has a strike length of at least 650 meters at this depth. Clavo 99 mineralization remains open to the southeast and at depth, and its northwest limit is not well defined.

The San Miguel vein structure continues to be our current exploration focus at the San Miguel project. Our drilling program for the remainder of the year will be subject to our securing additional financing. We had previously budgeted a total of approximately 17,510 meters diamond drilling and 7,110 meters of RC drilling. Additional drilling is also budgeted for the Santa Clara, Guadalupe de los Reyes and San Juan-Rosario concession areas.

## **REGIONAL GEOLOGY**

The Guazapares district and the San Miguel project are located in the western part of the Sierra Madre Occidental (SMO) physiographic province. The SMO is characterized by a northwest trending plateau with an average elevation exceeding 2000 m asl, and covers an area approximately 1200 km long and 200-400 km wide, extending southeast from the border with the United States to the Trans-Mexican Volcanic Belt.

The term Sierra Madre Occidental is also used to describe the Tertiary volcanic province characterized by large volumes of silicic ignimbrites. Within this context, the Sierra Madre Occidental extends beyond the boundaries of the physiographic province and includes the Mesa Central and part of eastern Chihuahua. The Sierra Madre Occidental volcanic province is one of the largest silicic igneous provinces on Earth, covering an area of approximately 300,000 km<sup>2</sup> (Ferrari et al., 2007).

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

mineralization, including all of the mineralized rock in the San Miguel Claim group, is developed in the Lower Volcanic Complex rocks.

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The San Miguel project is composed of a series of concessions that overlie a NNW district-scale fault zone. For descriptive and presentation purposes, we have broken them into geographical areas, using the names of the principal historic silver mines in each area. The main Guazapares structure has a strike length of approximately 8 kilometers and hosts the Santa Clara, La Union, San Jose, San Luis, San Antonio, El Carmen, La Veronica and Montecristo exploration areas. In echelon quartz veins, quartz-pyrite veinlet stockworks and silicified hydrothermal breccia bodies, most of which host significant gold, silver, lead and zinc mineralization, are developed within this structural zone. The zone is broken into segments by small-displacement NE trending faults. The San Miguel exploration area lies on a parallel structure approximately 3 km west of the La Veronica area. This structure referred to as the Batosegachic Fault and it hosts the San Miguel Vein.

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

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SAN MIGUEL PROJECT    PRINCIPAL CONCESSIONS AND DRILLING AREAS



### Local Geology

### Montecristo- Geology

### Area Geology

The Montecristo area is near the northern end of the Guazapares structural zone. Here there are four vein-structures, three of which strike N45E (Montecristo I and II), quite different from the rest of the Guazapares zone. The fourth, Sangre de Cristo strikes N30 to 45 W, was the principal working in the area and the remains an old pan amalgamation mill are nearby. This mineralization is associated with a dacite intrusive body, probably domal in shape. A newly identified structure, called the Montecristo breccia, is a hydrothermal breccia developed along a N30W fault zone along this contact and can be followed for a kilometer. It is from 150 to 200 meters wide. Mineralization is largely gold and silver.

This target is different from those to the southeast in that the lithologies are a dacite intrusive body and dacitic tuff-breccias. Also there are multiple phases of brecciation and breccia fragments are generally relatively small. Because of the steep terrain, only three holes were drilled to test this mineralization in the first round of exploration.

### La Union San Luis Area Geology

The two-kilometer area stretching from La Union in the south to San Luis in the center of the Guazapares district. Very little work has been done by Paramount to date in the Santa Clara area and it will not be discussed here.

There are three principal geologic units mapped at La Union San Luis. On the east is an andesitic basement composed of andesitic flows and volcanoclastic rocks with a few dacitic to rhyolitic tuff horizons. Bedding strikes to the north and dips to the west. Total thickness is unknown. These are interpreted to be part of the lower andesite sequence. A package of lithic to quartzo- feldspathic tuffs is exposed on the west side. It discordantly overlies the andesite unit and displays a pseudo-stratification with dips of 15 to 40 degrees to the northwest. A dacitic dike outcrops intermittently along the contact between these two units with an approximate strike of N30W and a dip of 50 to 70 degrees to the east. The eastern limit of the fault zone separating the andesites and the lithic tuffs is often rather sharp. West of the principal fault, the structure can be quite complex with fault splits, and mineralized fracture zones over 200 meters wide, particularly in the San Jose area.

Propylitic alteration is in a widespread envelope. Within this envelope are irregular zones of sulfide-bearing breccias, quartz veins and quartz vein stockworks. Here the rocks are commonly argillically altered, with locally intense silicification and associated adularia. Judging from earlier reports and the dimensions of stopes at the surface, the higher-grade veins mined were generally perhaps 1 to 4 meters wide. The principal sulfide minerals were pyrite, galena and sphalerite, and argentite. These altered poly-phase breccia bodies are cut by and surrounded by stockworks of fine quartz-sulfide veinlets. In the La Union area, the stockwork zone is as much as 100 meters wide. This wider stockwork zone north of the La Union mine occupies a segment of the fault zone that curves gently to the east.

The La Union segment is separated from the San Jose area by a small east-west valley which most likely represents a fault of small displacement, as evidenced by an abrupt break in the geologic pattern. North of this break, in the San Jose area the main area of workings is in a similar stockwork and breccia zone less than 50 meters wide. Relatively extensive shallow underground workings were developed here to exploit the higher-grade veins and breccias. However, additional stockwork zones persist well to the west, making the overall mineralized stockwork zone as much as 300 meters wide, as evidenced by numerous small old workings.

Across another east-west structural break is the San Luis area. At San Luis the rock units are the same. Mineralization is somewhat different here, in that grades were higher overall and gold content was much higher than elsewhere in Guazapares. The ore shoot was apparently controlled by the intersection of N30W and N5W striking structures, or by N30W and N60E. This ore shoot was exploited by the Alaska-Juneau Company between 1959 and 1968. Paramount cut a channel sample across a pillar between the two structures on the 300 level across 25.8 meters, grading 11.3 g/t Au and 87 g/t Ag. On the surface, the vein has a strike length of approximately 400 meters, but it appears that only a small portion of that was mined. The 300 foot level is just above the water table and some sulfides are showing in the drift walls. We believe that there is exploration potential in the undeveloped areas.

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### San Antonio El Carmen Area Geology

The geology at San Antonio and El Carmen changes somewhat in detail, but not in a general sense. The andesites can be divided into four lithologic varieties, but at this stage that is not very significant. In addition the tuffaceous units have changed to a softer more granular sandy texture and do not crop out well. Outcrops are very sparse, but it appears that the dacite dikes so common at La Union and San Jose are rare here.

As at the La Union and San Jose areas, the structural setting remains similar. The general strike of the principal veins and breccia bodies is N30W, with some north-trending step-over veins connecting them. A stockwork zone of varying intensity generally occupies the areas among the major veins. While the veins continue to dip steeply (60 to 75 degrees) to the northeast at San Antonio, the west side of the main vein system dips 60 to 75 degrees to the southwest. Larger veins are also more common with four substantial en echelon veins and several smaller ones in 700 meters of strike length. In the El Carmen area the vein system has rolled over and the principal veins dip steeply to the southwest, 70 to 80 degrees.

Our geologists believe that the San Antonio El Carmen area is somewhat higher in the system than other areas. This is based on the observation that gold is more abundant, silver grades seem a bit better, and silicified breccias and stockworks are more widespread.

### **Deposit Types**

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

These are multi-phase deposits which produced several phases of cross-cutting breccias and related hydrothermal alteration. Alteration ranges from peripheral propylitization to argillic alteration to strong to intense silicification, often with adularia development. This mineralization is physically expressed as sheeted quartz veins, silicified hydrothermal breccias, and vuggy, quartz-filled expansion breccias. Amethystine quartz is locally present. At many such deposits, such as those nearby at Palmarejo, there are at least two stages of gold-silver mineralization. The first is characterized by pyrite, sphalerite, galena and argentite in structurally controlled quartz vein breccias. There is often a later fine-grained higher-grade gold-silver, base metal-deficient phase cross-cutting the first.

## **MINERALIZATION**

Paramount's exploration efforts to date have concentrated on segments of the Guazapares Fault structure, over a seven-kilometer strike-length between the Santa Clara and Montecristo areas and most recently on the San Miguel Vein hosted by the sub-parallel Batosegachi Fault structure approximately 3 km west of the Guazapares structure. This section deals primarily with mineralization associated with those segments of the structures.

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

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

### **SANTA CLARA AREA MINERALIZATION**

The Santa Clara area is the southernmost portion of the main Guazapares concession group, south of the La Union area. The area contains numerous small old workings and was a minor silver producer during the 1880's.

At Santa Clara, a 2.0 meter to 6.1 meter wide mineralized structure has been traced for a strike length of over 400 meters. It is a relatively narrow, simple structure, composed mostly of numerous anastomosing oxidized quartz-sulfide veinlets and resembles vein exposures at La Union to the north. The vein system strikes from N-S to N20W, and dips steeply to the east. Silicification is locally strong and narrow lenticular hydrothermal breccias are occasionally developed.

Ten trenches (ZSC-01 to ZSC-10) totaling 310 meters have been excavated, mapped and sampled. Highlights of the trench assay intercepts are: 6.1m @ 0.2 g/t Au, 224 g/t Ag; 4.3m @ 1.2 g/t Au, 282 g/t Ag; 5.7m @ 1.24 g/t Au, 101 g/t Ag. Santa Clara is a lower priority target area, as the vein structure is narrower and less complex than at other target areas.

### **LA UNION AREA MINERALIZATION**

An area of historic shallow workings is centered approximately 400 meters south of the La Union mine workings. We excavated three trenches totaling 85 meters in this area and six core holes were drilled for a total of 770 meters. Trenching and drilling intersected modest intervals of moderate silver and gold grades. The most significant trench intercept in this area (ZLU-7) was 22.6 meters of 0.40 g/t Au and 89 g/t Ag. Hole LU-09 was drilled beneath this trench and returned the most significant intercept for this area: 34.9 meters of 0.13 g/t Au and 60 g/t Ag. Most of the trench and drill intercepts in the southern area had significantly higher zinc and lead values (approximately 1-2% zinc) than elsewhere on the San Miguel project, including a 13.5 meter interval in hole LU-11 grading 2.38 % lead and

7.07% zinc.

A 20 to 50 meter wide vein and quartz stockwork zone extends approximately 300 meters northward from the historic La Union mine area. The zone trends N20W in the south, curving to slightly east of north at its north end and dips northeast to east at 50 to 60 degrees. The mineralization is exposed by several shallow historic inclined shafts and short drifts. Paramount excavated 5 trenches totaling 303 meters, and completed 8 diamond drill holes totalling 1039 meters. Mineralization is typical of the district with locally intense multiphase brecciation and silicification, grading laterally into quartz veinlet stockwork zones. Most of the old workings followed only the sheared veinlet stockwork veins and intensely silicified breccias. Outcrops are sparse where silicification is less intense. However, trenching shows that stockwork veining and argillic alteration to persist into these covered areas. Trenching intersected wide mineralised zones including 1.29 g/t Au and 221 g/t Ag over 21 meters; 0.55 g/t Au and 103 g/t Ag over 29 meters; and 0.03 g/t Au and 105 g/t Ag over 66 meters.

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Drilling to date at La Union has been relatively wide-spaced and shallow. However it has demonstrated a reasonable continuity of mineralization.

### **SAN JOSE AREA MINERALIZATION**

The San Jose area has volumetrically more extensive historic workings than the La Union area and appears to have had a larger tonnage of material extracted. It is separated from La Union to the south and San Luis to the north by topographic breaks related to small northeast trending displacement faults. The principal zone of quartz veinlets, breccias and related stockworks is relatively narrow, associated with a fault structure at the andesite-felsic tuff contact. The larger historic workings at San Jose exploited higher-grade mineralization close to the main fault. Quartz-cemented breccias are exposed along the main fault, particularly near the north end where workings are more abundant.

A second area of precious metal-bearing stockworks and breccia zones extends up to 120 meters west of the main zone in the San Jose area. Surface sampling in this broad mineralized zone indicates the presence of silver values greater than 100 g/t over an area of at least 250 by 100 meters. We believe that the surface samplings may indicate a shallow silver resource at San Jose.

Paramount has completed an initial phase of eleven diamond drill holes at the San Jose area. Almost all holes intersected intervals of several meters containing greater than 100 g/t Ag, many with significant lower-grade gold, lead and zinc credits. Most of the significant mineralized intercepts were down dip from the larger historic surface workings, along the principal vein. Several significant intercepts however, were intersected east of the down-dip projection of the main vein-breccia zone (eg. SJ-06 - 354 g/t Ag over 6.6m) and appear to correlate with a band of +200 g/t silver values delineated by surface sampling east of the main workings. This may represent a previously untested vein split east of the principal workings.

Drilling to date at San Jose has been relatively wide-spaced and shallow. However it has demonstrated a reasonable continuity of mineralization.

### **SAN LUIS AREA MINERALIZATION**

The San Luis area is centered on the San Luis mine, which was operated by the Alaska-Juneau Company in the 1960's. Before their arrival in 1959, mining had only reached the 400-foot level (approximately 120 meters vertically below the surface). The inclined shaft reportedly ultimately reached the 800-foot (240 meter) level. The high grade ore shoot mined had a strike length of approximately 30 meters and was localized by the intersection of the main N30W vein structure with a crossing fault, variously stated in old reports as trending N10W or N40E. This ore shoot is distinctive in the San Miguel district in that the bulk of its ore value was in gold rather than silver. In addition, lead (galena), zinc (sphalerite) and sometimes copper (chalcopyrite) were often abundant.

Away from the high-grade shoot, the main San Luis vein mineralization appears very similar to that of the rest of the district. We completed eight diamond drill holes in the San Luis area for a total of 1,185 meters. Due to relatively steep terrain, the holes were collared downhill to the east and cut the structure below the 300-foot level. Upper oxidized portions of the vein system are largely untested. Drill hole intercepts in drill holes SL-04 and SL-08 included 253 g/t Ag and 0.12 g/t Au over 2m and 85 g/t Ag and 0.04 g/t Au over 8.5m, respectively. Some of our intercepts had very high lead and zinc grades, such as 2.54% Pb and 10.04% Zn over 1.35m in SL-01, which was drilled close to the previously mined high-grade mineralized shoot.

Targets at San Luis are both mineralization along strike similar to that of the rest of the district and also higher grade material similar to that mined by Alaska-Juneau.

#### **SAN ANTONIO AREA MINERALIZATION**

The San Antonio area is separated from the San Luis area to the south by a topographic low that represents a small displacement, northeast trending fault. The San Antonio area has been separated into a San Antonio South area and a San Antonio North area based on a reversal of dip direction of the main mineralized structures.

The San Antonio area is structurally different from the other explored areas to the south in that rather than one main vein zone, there are at least eight sub-parallel, en echelon vein zones which trend approximately N30W. Smaller step-over veins are commonly present between the principal ones. Individual principal veins have strike lengths of 250 to 400 meters. Quartz veinlet stockworks of varying intensity often separate the main veins.

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Mineralization is hosted by a series of andesitic and dacitic tuffaceous rocks. Outcrops are sparse, but dacitic dikes are locally present parallel to some of the many veins, although to a lesser extent than at the San Jose area. The veins themselves vary from quartz-pyrite (oxidized) veinlet stockwork zones to steeply dipping tabular breccia bodies, to local very siliceous hydrothermal breccias. Late stage grey-brown chalcedonic veinlets are often present. Gold, lead and zinc grades encountered in drill core are generally quite low and generally do not increase with higher silver values.

In the southern part of the San Antonio South area, a strong vein structure is present, nearly parallel to and northwest along strike from the San Luis vein and is referred to as the San Luis NW Extension. Trench ZSA-02 cut the vein and returned an intercept of 20 meters grading 76 g/t Ag. Core hole SA-06 was drilled across the vein structure 10 meters to the north of the trench and intersected 13.8m grading 213 g/t Ag. This vein has at least 200 meters of strike length.

The main San Antonio South vein structure has a N30W trend and is steeply dipping to the east. This vein-breccia body and stockwork system swells from 2 meters in the south and north to nearly 30 meters in the center. Three trenches that intersected it all returned strong silver values: ZSA-04 cut 8m @ 196 g/t Ag and 10.6m @ 200g/t Ag; ZSA-05 cut 10m @ 87 g/t Ag and 17.1m @ 170 g/t Ag; ZSA-06 cut 5.6m @ 597 g/t Ag. Other sub-parallel smaller vein structures are also somewhat mineralized. Core holes were drilled to intercept the vein beneath each of these trenches. DDH holes SA-01, 03, 12 and 13 were drilled into the zone). Hole SA-03, drilled beneath trench ZSA 04, cut 3.5m grading 135 g/t Ag. Hole SA-01, drilled beneath trench ZSA 05, intersected 25.8m grading 194 g/t Ag and two 1- meter intercepts of 643 and 346 g/t Ag. Hole SA-13, drilled beneath trench ZSA 06, intersected 10.7m grading 296 g/t Ag. SA-12 had an intercept of 16.15 meters @ 201 g/t Ag and three other shorter high-grade intercepts.

The San Antonio North (El Carmen) area has the same alteration, vein and breccia appearance and style of mineralization as the San Antonio South area. However, the San Antonio North veins dip to the west-southwest at 65 to 80 degrees. Smaller NNE dipping veins are occasionally seen; these appear to be hanging wall splits off the principal veins. There are at least 5 substantial en echelon veins structures at San Antonio North, and several smaller subparallel and cross-over vein splits. The main vein structures have strike lengths of 250 to 400 meters and are better described as multiphase sheared and brecciated quartz veinlet stockwork zones, rather than as massive quartz veins. Broad, more open quartz veinlet stockwork zones are often developed between the larger veins.

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

**Selected Significant Drill Core Intercepts**

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

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

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Silver mineralization in the San Antonio area appears to be extensive over a significant strike length, however given the anastomosing nature of the vein structures and intervening stockwork and the relatively wide-spaced diamond drill holes, it is difficult to identify and trace individual structures between drill holes drilled to date. Gold values are negligible and there are only low amounts of lead and zinc. The distribution of metals suggests that the San Antonio area may represent a relatively high level in the epithermal system compared to areas such as La Union. The precious metal portion of the system therefore may potentially extend to greater depths at San Antonio than elsewhere on the property.

Drilling to date at San Antonio has been relatively wide-spaced and shallow. We believe that the drilling has demonstrated a reasonable continuity of mineralization.

### **LA VERONICA - SWANWICK AREA MINERALIZATION**

The Swanwick concession is adjacent to the El Carmen concession north-northwest of the San Antonio area. Outcrop exposure is very poor in the La Veronica area therefore Paramount excavated twenty-one trenches in 2007, for a total length of 1136 meters. Trenching was followed by twenty-eight diamond drill holes totaling 4976 meters, drilled over a strike length of approximately 1150 meters.

Trenching outlined two N30W trending mineralized structures at La Veronica, each from 2 to 20 meters in width. Diamond drilling intersected additional mineralized structures at depth in the felsic footwall. Significant trench sampling results and selected significant drill core intercepts are presented below:

#### **La Veronica Trenching Results**

| <b>Trench</b> | <b>Intercept (m)</b> | <b>Au (g/t)</b> | <b>Ag (g/t)</b> |
|---------------|----------------------|-----------------|-----------------|
| ZLV 0         | 12.0                 | 0.06            | 134             |
| ZLV 1         | 45.0                 | 0.03            | 121             |
| ZLV 2         | 30.5                 | 0.03            | 82              |
| ZLV 3         | 4.0                  | 0.04            | 867             |
|               | 19.5                 | 0.01            | 84              |
| ZLV 12        | 3.0                  | 0.14            | 483             |

**La Veronica - Selected Significant Drill Core Intercepts**

| <b>Hole No.<br/>DDH</b> | <b>From<br/>Meters</b> | <b>To<br/>Meters</b> | <b>Interval<br/>Meters</b> | <b>Au<br/>ppm</b> | <b>Ag<br/>ppm</b> | <b>Pb<br/>%</b> | <b>Zn<br/>%</b> |
|-------------------------|------------------------|----------------------|----------------------------|-------------------|-------------------|-----------------|-----------------|
| <b>LV-01</b>            | 0.8                    | 2.5                  | 1.7                        | 0                 | 151               | 0.12            | 0.07            |
|                         | 27                     | 28.9                 | 1.9                        | 0                 | 109               | 0.05            | 0.13            |
|                         | 111.7                  | 112.3                | 0.6                        | 0.26              | 326               | 0.16            | 0.26            |
| <b>LV-02</b>            | 42.8                   | 45.9                 | 3.1                        | 0                 | 188               | 0.06            | 0.13            |
|                         | 96.6                   | 101                  | 4.4                        | 0.32              | 439               | 0.16            | 0.42            |
| <b>LV-03</b>            | 19                     | 20                   | 1                          | 0                 | 195               | 0.05            | 0.29            |
|                         | 85                     | 90.2                 | 5.2                        | 0.04              | 224               | 0.29            | 0.63            |
| <b>LV-04</b>            | 4.8                    | 5.85                 | 1.05                       | 1.52              | 8                 | 0.01            | 0.02            |
|                         | 63.8                   | 81.55                | 17.75                      | 0.07              | 136               | 0.17            | 0.44            |
| <b>LV-05</b>            | 106                    | 107                  | 1                          | 0                 | 110               | 0.04            | 0.09            |
|                         | 145.8                  | 146.8                | 1                          | 0.13              | 138               | 0.04            | 0.11            |
| <b>LV-06</b>            | 201.2                  | 202                  | 0.8                        | 8.25              | 0                 | 0               | 0.01            |
| <b>LV-08</b>            | 6.45                   | 13                   | 6.55                       | 0.41              | 2                 | 0               | 0.02            |
|                         | 14.2                   | 17.3                 | 3.1                        | 0.16              | 111               | 0.05            | 0.17            |
| <b>LV-09</b>            | 0                      | 2.8                  | 2.8                        | 0.69              | 200               | 0.01            | 0.05            |
| <b>LV-10</b>            | 0                      | 2.8                  | 2.8                        | 0.02              | 80                | 0               | 0.04            |
|                         | 35.95                  | 50.9                 | 14.95                      | 0.11              | 214               | 0.12            | 0.27            |
|                         | 59.1                   | 60.1                 | 1                          | 5.42              | 0                 | 0.01            | 0.1             |
| <b>LV-11</b>            | 38                     | 39                   | 1                          | 0.71              | 114               | 0.12            | 0.15            |
| <b>LV-12</b>            | 39.4                   | 55                   | 15.6                       | 0.03              | 86                | 0.03            | 0.07            |
| <b>LV-13</b>            | 59                     | 74                   | 15                         | 0.05              | 65                | 0.02            | 0.07            |
|                         | 81.2                   | 87.1                 | 5.9                        | 0.06              | 66                | 0.02            | 0.05            |
| <b>LV-14</b>            | 53                     | 70.5                 | 17.5                       | 0.04              | 83                | 0.03            | 0.1             |
|                         | 184.2                  | 185                  | 0.8                        | 0.14              | 138               | 0.02            | 0.05            |
| <b>LV-18</b>            | 57.5                   | 59.5                 | 2                          | 0                 | 128               | 0.03            | 0.1             |
|                         | 82.8                   | 83.9                 | 1.1                        | 0.1               | 75                | 0.01            | 0.01            |
| <b>LV-19</b>            | 6                      | 7.5                  | 1.5                        | 0.1               | 109               | 0.16            | 0.14            |
|                         | 102.5                  | 103.1                | 0.6                        | 0.29              | 50                | 0.04            | 0.07            |
| <b>LV-24</b>            | 23.65                  | 27.6                 | 3.95                       | 0.73              | 70                |                 |                 |
|                         | 48.9                   | 51.25                | 2.35                       | 0.82              | 18                |                 |                 |
|                         | 67                     | 71                   | 4                          | 0.25              | 58                |                 |                 |
|                         | 167.8                  | 168.8                | 1                          | 0.07              | 69                |                 |                 |
| <b>LV-15</b>            | 31.7                   | 33.5                 | 1.8                        | 0.26              | 175               |                 |                 |
| <b>LV-19</b>            | 53.7                   | 78                   | 24.3                       | 0.09              | 37.54             |                 |                 |

|              |       |       |      |      |       |
|--------------|-------|-------|------|------|-------|
| <b>LV-20</b> | 39    | 46.9  | 7.9  | 0.19 | 66    |
| <b>LV-21</b> | 33.3  | 40    | 6.7  | 0    | 118   |
|              | 52.1  | 55    | 2.9  | 0.04 | 339   |
| <b>LV-22</b> | 84    | 91    | 7    | 0.19 | 56.57 |
| <b>LV-23</b> | 126   | 155   | 29   | 0.46 | 4     |
|              | 205.3 | 206.1 | 0.8  | 3.31 | 106   |
| <b>LV-25</b> | 81    | 83    | 2    | 0.31 | 136   |
| <b>LV-26</b> | 26.7  | 32.35 | 5.65 | 0    | 89    |
|              | 71.7  | 78.4  | 6.7  | 0.1  | 53    |

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## **MONTECRISTO AREA MINERALIZATION**

Exploration to date at the Montecristo area has been preliminary in nature. Mineralization occurs in at least two sets of structures, the more common north-northwest Guazapares structures, locally termed the Sangre de Cristo veins, and a N40E cross cutting set, locally referred to as the Montecristo veins.

Mapping and sampling of four adits on the northeast striking Montecristo veins indicated that mineralization was predominantly silver with widths and grades ranging from 4 meters of 83 g/t Ag to 3 meters of 587 g/t Ag. Diamond drill hole MC-02 was drilled to intersect this highest-grade interval without success, although there was a long low-grade interval of 68 meters of 17g/t Ag.

Higher on the hill at Montecristo, a hydrothermal breccia outcrops along the contact between a dacite body and felsic volcanic rocks. This breccia, locally called the Montecristo Breccia, is also mineralised. Surface sampling indicated long intervals of lower grade silver mineralization including 33 meters of 29g/t Ag and 0.54 g/t Au, and 14 meters of 224 g/t Ag and 0.03 g/t Au. Core holes MC 01 and MC-03 were drilled to test this zone, cutting 8.7 meters of 158 g/t Ag and 0.18 g/t Au and 11 meters of 74 g/t Ag and 0.39 g/t Au respectively.

Veining in the main Sangre de Cristo adit trends N30W and dips steeply to the northeast. Channel sampling near the portal produced intercepts of 3.2 meters of 605 g/t Ag and 0.42 g/t Au and 7 meters of 295 g/t Ag and 0.16 g/t Au.

## **SAN MIGUEL-ELYCA-EMPALME AREA MINERALIZATION**

A complex quartz vein structure referred to as the San Miguel vein is exposed over a strike length of at least a kilometer in the San Miguel, Elyca and Empalme concessions immediately north of the small village of Batosegachi. A section of the vein about 100 meters long, several meters wide and 15 meters deep was mined in the late 1970 s and shipped to the El Paso smelter as precious metal-bearing flux.

In early 2007, work consisted of a series of channel samples across the vein over a strike length of more than 300 meters. Sample widths range from 3.3 to 14 meters with gold values from 0.18 to 1.7 grams and silver values from 53 to 425 g/t. Drilling was initiated on the San Miguel vein in the fall of 2007 and has since been the focus of exploration at the San Miguel project.

As of April 30, 2008 a total of 44 diamond drill holes have been completed over an 875 meter strike length of the vein structure. Drilling has outlined a zone of higher-grade mineralization referred to by Paramount as Clavo 99 . Drilling to date has shown that Clavo 99 persists for nearly 400 meters below the surface and has a strike length of at least 650 meters at this depth. Clavo 99 mineralization remains open to the southeast and at depth, and its northwest limit is not well defined. The gold/silver ratio appears to be increasing with depth within Clavo 99 . At surface, Clavo 99 appears to be associated with a right-stepping (north-northwest) Z-bend, which is interpreted to be a dilational zone created by a right-lateral strike-slip component in the host northwest-trending Batosegachic Fault structure.

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



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

**San Miguel Vein - Selected Significant Drill Core Intercepts**

| <b>Hole Number<br/>DDH</b> | <b>From<br/>Meters</b> | <b>To<br/>Meters</b> | <b>Interval<br/>Meters</b> | <b>Gold<br/>ppm</b> | <b>Silver<br/>ppm</b> |
|----------------------------|------------------------|----------------------|----------------------------|---------------------|-----------------------|
| 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                    |

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|       |       |       |       |       |      |
|-------|-------|-------|-------|-------|------|
| 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   |

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## EXPLORATION

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

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

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

## TRENCHING

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

Trenching, which preceded diamond drilling along the Guazapares structure, was generally completed about 2 months ahead of the drilling in a given area. Trenching statistics grouped by exploration area and arranged in time sequence is presented below in Table 2. The Santa Clara area is on strike, south of La Union and has had no drilling or other follow-up. Two trenches were completed at the San Jose target in April 2008 as a follow-up to 2007 drilling.

**Table 2: San Miguel Project Trenching Statistics**

| Exploration Area | Year      | Trenches | Total Length (m) | # Samples |
|------------------|-----------|----------|------------------|-----------|
| La Blanca        | 2006      | 4        | 226.0            | 189       |
| La Union         | 2006      | 9        | 486.7            | 381       |
| San Antonio      | 2006/2007 | 25       | 1459.1           | 995       |
| La Veronica      | 2007      | 21       | 1136.0           | 710       |
| Santa Clara      | 2007      | 10       | 435.3            | 281       |
| San Jose         | 2008      | 2        | 156.0            | 90        |

|               |                  |             |
|---------------|------------------|-------------|
| <b>Totals</b> | <b>69 3899.1</b> | <b>2646</b> |
|---------------|------------------|-------------|

### **DRILLING**

Drilling at the San Miguel Project began in late April of 2006, at the Montecristo area at the north end of the Guazapares structural trend. Layne de Mexico has been the sole drill contractor for all drilling at the Project. Paramount's México country manager, Armando Valtierra and San Miguel project manager Javier Martinez have supervised the drill program.

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From April 2006 to April 30, 2008 we completed 176 diamond drill holes totaling 34,926.7 meters as part of a planned 50,000 meter drilling program at the San Miguel Project. Diamond core drilling to date has been HQ size only (63.5 millimeters or 2.5 inches diameter). HQ core was chosen to provide a large sample and to allow for reduction in core size if necessary in a difficult drill hole.

Our exploration efforts to date have focused on the diamond drilling of segments of the Guazapares Fault structure over a seven-kilometer strike length between the La Union and Montecristo areas and most recently, on the San Miguel Vein hosted by the sub-parallel Batosegachic Fault structure approximately 3 kilometers west of the Guazapares structure. Drilling to date along the Guazapares structure been largely preliminary in nature and has tested beneath historic showings and workings and their strike extensions often with single holes on relatively wide-spaced sections. Drilling on the San Miguel vein began in August 2007 and has been the focus of our drilling since November 2007. Drilling at the San Miguel vein has generally been more intensive than that completed along the Guazapares structure in an effort to delineate the higher grade mineralized shoot referred to as Clavo 99 .

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**Table 3: San Miguel Project Diamond Drilling Timeline (to April 30, 2008)**

| Month/Year   | San Miguel Project Area |           |            |           |            |                 |             |                  |            |
|--------------|-------------------------|-----------|------------|-----------|------------|-----------------|-------------|------------------|------------|
|              | Montecristo             | La Blanca | San Luis   | San Jose  | La Union   | San Antonio     | La Veronica | Sangre de Cristo | San Miguel |
| <b>2006</b>  |                         |           |            |           |            |                 |             |                  |            |
| April        | MC-1                    |           |            |           |            |                 |             |                  |            |
| May          | MC-2, 3                 | LB-1      |            |           |            |                 |             |                  |            |
| June         |                         | LB-2, 3   | SL-1 to 4  |           |            |                 |             |                  |            |
| July         |                         |           | SL- 5 to 8 | SJ-1 to 5 |            |                 |             |                  |            |
| August       |                         |           |            | SJ-6 to11 | LU-1       |                 |             |                  |            |
| September    |                         |           |            |           | LU-2 to10  |                 |             |                  |            |
| October      |                         |           |            | SJ-12     | LU-11 to13 | SA-1 to 8       |             |                  |            |
| November     |                         |           |            |           |            | SA-8 to 13      |             |                  |            |
| December     |                         |           |            |           |            | SA-14 to 15     |             |                  |            |
| # Holes 2006 | 3                       | 3         | 8          | 12        | 13         | 15              | 0           | 0                | 0          |
| <b>2007</b>  |                         |           |            |           |            |                 |             |                  |            |
| January      |                         |           |            |           |            | SA-16/16a to 20 |             |                  |            |
| February     |                         |           |            |           |            | SA-21 to 25     |             |                  |            |
| March        |                         |           |            |           |            | SA-26 to 31     |             |                  |            |
| April        |                         |           |            |           |            | SA-31 to 43     |             |                  |            |
| May          |                         |           |            |           |            | SA-44 to 53     |             |                  |            |
| June         |                         |           |            |           |            |                 | LV-1 to 3   |                  |            |
| July         |                         |           |            |           |            |                 | LV-4 to 15  |                  |            |
| August       |                         |           |            |           |            |                 | LV-16 to 26 |                  | SM-1 to 2  |
| September    |                         |           |            |           |            |                 | LV-27 to 28 | SC-1 to 7        | SM-3 to 7  |
| October      |                         |           |            |           |            |                 |             | SC-8 to 11       | SM-8 to16  |

|                           |               |               |                 |                 |                 |                 |                 |                                     |                  |
|---------------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------------------------|------------------|
| November                  |               |               |                 |                 |                 |                 |                 |                                     | SM-17 to<br>25   |
| December                  |               |               |                 |                 |                 |                 |                 |                                     | SM-26 to<br>27   |
| # Holes 2007              | 0             | 0             | 0               | 0               | 0               | 39              | 28              | 11                                  | 27               |
| <b>2008</b>               |               |               |                 |                 |                 |                 |                 |                                     |                  |
| January                   |               |               |                 |                 |                 |                 |                 |                                     | SM-28 to<br>31   |
| February                  |               |               |                 |                 |                 |                 |                 |                                     | SM-32 to<br>36   |
| March                     |               |               |                 |                 |                 |                 |                 |                                     | SM-37 to<br>40   |
| April                     |               |               |                 |                 |                 |                 |                 |                                     | SM-41 to<br>44   |
| # Holes 2008              | 0             | 0             | 0               | 0               | 0               | 0               | 0               | 0                                   | 17               |
| <b>Total #<br/>Holes</b>  | <b>3</b>      | <b>3</b>      | <b>8</b>        | <b>12</b>       | <b>13</b>       | <b>54</b>       | <b>28</b>       | <b>11</b>                           | <b>44</b>        |
| <b>Meters<br/>Drilled</b> | <b>798.20</b> | <b>531.25</b> | <b>1,185.45</b> | <b>1,397.65</b> | <b>1,592.40</b> | <b>9,105.95</b> | <b>4,975.95</b> | <b>1,534.95</b>                     | <b>13,804.90</b> |
|                           |               |               |                 |                 |                 |                 |                 | <b>Total<br/>meters<br/>drilled</b> | <b>34,926.70</b> |

**Table 4: San Miguel Vein - Selected Significant Drill Core Intercepts**

| <b>Hole Number<br/>DDH</b> | <b>From<br/>Meters</b> | <b>To<br/>Meters</b> | <b>Interval<br/>Meters</b> | <b>Gold<br/>ppm</b> | <b>Silver<br/>ppm</b> |
|----------------------------|------------------------|----------------------|----------------------------|---------------------|-----------------------|
| 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   |
| SM-40 | 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  |
|       | 241.0 | 250.8 | 9.8   | 4.92  | 100  |
| SM-41 | 280.0 | 292.6 | 12.6  | 2.58  | 24   |
|       | 300.0 | 301.0 | 1.0   | 16.80 | 36   |
|       | 245.2 | 247.3 | 2.1   | 6.72  | 11   |
| SM-42 | 279.3 | 280.9 | 1.6   | 2.57  | 7    |
|       | 286.0 | 287.0 | 1.0   | 2.53  | 11   |
| SM-43 | 195.7 | 204.8 | 9.1   | 6.06  | 16   |
| SM-44 | 163.0 | 180.7 | 17.7  | 0.89  | 30   |
| incl. | 104.1 | 236.2 | 132.1 | 0.33  | 55   |
|       | 118.0 | 122.9 | 4.9   | 1.77  | 954  |
| incl. | 233.6 | 236.2 | 2.6   | 4.06  | 42   |

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

### **San Miguel Project Diamond Drill-Hole Database - Summary**

| <b>Item</b>                    | <b>Value</b>                    |
|--------------------------------|---------------------------------|
| 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.

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**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.

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***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.

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### ***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. There 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 face 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 not 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.

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***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.

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**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.



**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> |
|-----------------------------------|-------------|------------|
| 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.

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## **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.

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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.

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**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.

|                           | <b>Year Ended</b> | <b>Year Ended</b> | <b>Year Ended</b> |
|---------------------------|-------------------|-------------------|-------------------|
|                           | <b>June 30,</b>   | <b>June 30,</b>   | <b>June 30,</b>   |
|                           | <b>2008</b>       | <b>2007</b>       | <b>2006</b>       |
|                           | <i>(Audited)</i>  | <i>(Audited)</i>  | <i>(Audited)</i>  |
| 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.

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### *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.

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***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.

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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.

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### **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.

| <b>Name</b>              | <b>Age</b> | <b>Position(s)</b>          |
|--------------------------|------------|-----------------------------|
| 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.

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**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

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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](http://www.paramountgold.com).

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**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

| (a)                                     | (b)   | Annual Compensation |            |                                | Long Term Compensation        |                                        |                   | (i)                         |
|-----------------------------------------|-------|---------------------|------------|--------------------------------|-------------------------------|----------------------------------------|-------------------|-----------------------------|
|                                         |       | (c)                 | (d)        | (e)                            | Awards                        | (g)                                    | Payouts           |                             |
|                                         |       |                     |            |                                | (f)                           |                                        | (h)               |                             |
| Name and Principal Position             | Year  | Salary (\$)         | Bonus (\$) | Other Annual Compensation (\$) | Restricted Stock Award(s) (5) | Securities Underlying Options/SARs (5) | LTIP Payouts (\$) | All Other Compensation (\$) |
| Christopher Crupi<br>President/Director | 2006  | -0-                 | -0-        | -0-                            |                               | 400,000                                |                   | \$630,000(1)                |
|                                         | 2007  | 39,000              | 35,000     | -0-                            |                               |                                        |                   |                             |
|                                         | 2008  | 156,000             |            |                                | 400,000                       | 400,000                                |                   | -0-                         |
| Bill Reed<br>Vice president/director    | 2006  | 62,641              | -0-        | -0-                            |                               |                                        |                   | \$562,500(2)                |
|                                         | 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<br>Stinglhamber             | 2005  | -0-                 | -0-        | -0-                            |                               |                                        |                   |                             |
|                                         | 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<br>Chief financial officer<br>(3) | 2006 | 26,000  | -0- | -0- | -0-    | -0-     | -0- |              |
|                                                   | 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.



**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.

| <b>Name</b>                                          | <b>No. of Shares of<br/>Common Stock (1)</b> | <b>Percent of<br/>Class</b> |
|------------------------------------------------------|----------------------------------------------|-----------------------------|
| Christopher Crupi                                    | 4,023,900                                    | 8.0%                        |
| Sprott Asset Management<br>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<br>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:

| <b>Name</b>           | <b>Number</b> | <b>Exercise Price</b> |
|-----------------------|---------------|-----------------------|
| 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

|                                                           | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>Weighted average exercise price of outstanding options, warrants and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                           | <b>(a)</b>                                                                                         | <b>(b)</b>                                                                         | <b>(c)</b>                                                                                                                                         |
| 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<br>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               | 2006/07 Stock Incentive and Equity Compensation Plan filed as an 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

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**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.

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

/s/ROBERT DINNING  
Robert Dinning

Director

September 23, 2008

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**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.

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      |
|                                             | 5,833,688             | 18,917,082     |
| <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      |
|                                             | \$ 11,932,328         | \$ 22,189,838  |
| <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*

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**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<br/>June 30,<br/>2008</b> | <b>Year Ended<br/>June 30,<br/>2007</b> | <b>Cumulative<br/>Since Inception<br/>March 29, 2005<br/>to June 30,<br/>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*

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**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>    | <b>For the</b>    | <b>Cumulative</b>      |
|--------------------------------------------|-------------------|-------------------|------------------------|
|                                            | <b>Year Ended</b> | <b>Year Ended</b> | <b>Since Inception</b> |
|                                            | <b>June 30,</b>   | <b>June 30,</b>   | <b>to June 30,</b>     |
|                                            | <b>2008</b>       | <b>2007</b>       | <b>2008</b>            |
| 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)

|                                       | <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 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<br>for mineral<br>properties            | 400,000           | 400           | 1,159,600         |                      |                   |              | 1,160,000         |
| Capital issued<br>in settlement<br>of notes<br>payable | 39,691            | 39            | 105,541           |                      |                   |              | 105,580           |
| Fair value of<br>warrants                              |                   |               |                   |                      | 7,546,270         |              | 7,546,270         |
| Stock based<br>compensation                            |                   |               |                   |                      | 2,169,050         |              | 2,169,050         |
| Foreign<br>currency<br>translation<br>adjustment       |                   |               |                   |                      |                   | 8,412        | 8,412             |
| Net Income<br>(loss)                                   |                   |               |                   | (15,669,889 )        |                   |              | (15,679,889 )     |
| <b>Balance at<br/>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*

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**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:

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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)

**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.

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**(Audited)**

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(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.

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**(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.

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**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)

**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.**

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**Notes to Consolidated financial statements**

**(Audited)**

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(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<br/>price</b> | <b>Number<br/>of<br/>warrants</b> | <b>Remaining<br/>contractual<br/>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 |

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**Notes to Consolidated financial statements**

**(Audited)**

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(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<br/>Earned</b> | <b>Cash<br/>Payment</b> | <b>Required<br/>Exploration<br/>Expenditures</b> | <b>Required Share<br/>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.

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**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.

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**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<br>Amortization | Net Book Value |            |
|------------------------|------------|-----------------------------|----------------|------------|
|                        |            |                             | 2008           | 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:

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(Expressed in United States dollars, unless otherwise stated)

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

|                               | <b>2008</b>  | <b>2007</b>  |
|-------------------------------|--------------|--------------|
| 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>          |                    | <b>2007</b>          |                    |
|--------------------|----------------------|--------------------|----------------------|--------------------|
|                    | <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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**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)

**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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**(Audited)**

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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.

**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)

**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       |

|                          |              |            |              |               |
|--------------------------|--------------|------------|--------------|---------------|
| 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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**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)

**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    |

|                |              |              |              |               |
|----------------|--------------|--------------|--------------|---------------|
| 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   |

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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)

**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:

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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.<br/>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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**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)

**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.



**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)

**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<br/>June 30,<br/>2008</b> | <b>Year ended<br/>June 30,<br/>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 )                           |

**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)

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

| <b>Stockholders Equity</b>                                                                       | <b>June 30,<br/>2008</b> | <b>June 30,<br/>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,<br/>2008</b> | <b>June 30,<br/>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,<br/>2008</b> | <b>June 30,<br/>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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**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)

**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.

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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.

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**Paramount Gold and Silver Corp.**

**The Board of Directors recommends a vote FOR**

**the Nominees listed below and FOR Proposals 2, 3 and 4.**

| <b>1. Vote on Directors</b> | <b>For</b>               | <b>Withhold</b>          | <b>For All</b> | To withhold authority to vote for any individual nominee(s), mark For All Except and write the names(s) of the nominee(s) for whom you withhold your vote on the line below. |
|-----------------------------|--------------------------|--------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | <b>All</b>               | <b>Except</b>            |                |                                                                                                                                                                              |
| Christopher Crupi           | <input type="checkbox"/> | <input type="checkbox"/> |                |                                                                                                                                                                              |
| Charles (Bill) Reed         | <input type="checkbox"/> | <input type="checkbox"/> |                |                                                                                                                                                                              |

Daniel Hachey

John Carden

Michel Yvan Stinglhamber

Ian Talbot

Robert Dinning

| <b>2. Vote on ratification of HLB Cinnamon Jang Willoughby &amp; Company as our independent registered public accountants</b> | <b>For</b>               | <b>Against</b>           | <b>Abstain</b>           |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                                                                                                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| <b>3. Vote on Amendment to our Certificate of Incorporation to increase the number of authorized shares of common stock to 200,000,000 shares.</b> | <b>For</b>               | <b>Against</b>           | <b>Abstain</b>           |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                                                                                                                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| <b>4. Vote on ratification of our 2008/09 Stock Incentive and Equity Compensation Plan</b> | <b>For</b>               | <b>Against</b>           | <b>Abstain</b>           |
|--------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                                                                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**5.** Vote on reducing the exercise price of our outstanding common stock options.      **For   Against   Abstain**  
                                         ☐    ☐            ☐

Please sign exactly as name appears hereon. If shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

For address changes and/or comments, please check this box

and write them on the back where indicated. ☐

\_\_\_\_\_  
Signature [Please sign within box]

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature (Joint Owners)

\_\_\_\_\_  
Date

**COMMON STOCK**

**PARAMOUNT GOLD AND SILVER CORP.**

**346 Waverley Street**

**Ottawa, Ontario Canada K2P OW5**

**ANNUAL MEETING OF STOCKHOLDERS: February 24, 2009**

**This Proxy is Solicited on Behalf of the Board of Directors**

The undersigned, hereby appoints \_\_\_\_\_ and \_\_\_\_\_ or either of them acting separately, as attorneys in fact and proxies with full power of substitution to vote, as designated on the reverse side, all shares of Common Stock of Paramount Gold and Silver Corp. which the undersigned may be entitled to vote at the Annual Meeting of Stockholders to be held at 2600 North Military Trail Suite 270 Boca Raton, Florida 33431 on February 24, 2009 at 8:30 a.m. and at any adjournments thereof, upon all matters which may properly come before said Annual Meeting.

(If no name is identified above, it shall be conclusively presumed that Christopher Crupi and Charles W. Reed, or either of them acting separately has been designated attorney in fact)

**This proxy shall be voted in accordance with the instructions marked on the reverse side hereof. If no choice is marked, the above appointed proxies have discretionary authority with respect to the election of directors, Proposals 2, 3, 4 and 5 and any other matter that may properly come before the Annual Meeting. The above-appointed proxies will exercise any discretionary authority to vote FOR the nominees for election as directors and FOR proposals 2, 3, 4 and 5.**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY.

THIS PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE VOTING THEREOF.

NOTE: THIS PROXY MUST BE SIGNED AND DATED ON THE REVERSE SIDE.

Address Changes/Comments:

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