

PARAMOUNT GOLD & SILVER CORP.  
Form 10-Q/A  
March 25, 2014

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

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FORM 10-Q/A - 1

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(Mark One)

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

For the Quarterly Period Ended December 31, 2013

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

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

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Paramount Gold and Silver Corp.  
(Exact name of registrant as specified in its charter)

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Delaware 0-51600 20-3690109  
(State or Other Jurisdiction of Incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

665 Anderson Street, Winnemucca, Nevada 89445  
(Address of Principal Executive Office) (Zip Code)

(775) 625-3600  
(Issuer's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if smaller reporting company)

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

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

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date: 155,731,068 shares of Common Stock, \$.001 par value as of March 25, 2014.

Explanatory Note:

Paramount Gold and Silver Corp. (the “Company”) is filing this Amendment No. 1 on Form 10-Q/A to amend its Quarterly Report on Form 10-Q for the period ended December 31, 2013, as filed with the Securities and Exchange Commission on February 4, 2014 (the “Original Filing”). The Company is filing this amendment to its Original Filing to reflect the following changes:

1. Part I Item 1 “Financial Statements”: To revise the recording of a change in estimate as a retrospective adjustment for the comparative three and six month periods ending December 31, 2012 on the condensed consolidated interim statement of operations and comprehensive loss and on the condensed consolidated interim statement of cash flows.
2. Part I Item 2 “Management Discussion and Analysis”. To reflect the changes to the Company’s Financial Statements that have been amended by this Form 10-Q/A

These restatements are further described in our Notes to the Consolidated Financial Statements (Note 12). In addition, pursuant to the rules of the Securities and Exchange Commission, the registrant has also included in this Form 10-Q/A, under Part II, Item 6 “Exhibits,” currently dated certifications pursuant to Rules 13a-14(a) and 15d-14 of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. Except as described above, no other changes have been made to the Filing. This Amendment speaks as of the original filing date of the Original Filing and does not reflect any events that occurred at a date subsequent to the filing of the Original Filing or modify or update those disclosures therein in any way.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Condensed Consolidated Interim Financial Statements

(Unaudited)

Period ended December 31, 2013 and 2012

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Condensed Consolidated Interim Balance Sheets

As at December 31, 2013 and June 30, 2013

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

|   | As at<br>December 31<br>2013 | As at June 30,<br>2013 |
|---|------------------------------|------------------------|
| Assets  |                              |                        |
| Current Assets  |                              |                        |
| Cash and cash equivalents   | \$6,899,680                  | \$11,524,051           |
| Amounts receivable  | 1,326,277                    | 1,207,247              |
| Prepaid and deposits  | 469,915                      | 212,197                |
| Prepaid insurance, current portion (Note 11)  | 245,215                      | 245,215                |
| Marketable securities (Note 3)  | 496,152                      | 450,000                |
| Total Current Assets  | 9,437,239                    | 13,638,710             |
| Non-Current Assets  |                              |                        |
| Mineral properties (Note 8)   | 51,875,798                   | 51,875,798             |
| Property and equipment (Note 9)   | 405,250                      | 432,287                |
| Prepaid insurance, non current portion (Note 11)  | -                            | 122,607                |
| Reclamation bond (Note 11)  | 2,695,145                    | 2,718,384              |
| Total Non-Current Assets  | 54,976,193                   | 55,149,076             |
| Total Assets  | \$64,413,432                 | \$68,787,786           |
| Liabilities and Stockholders' Equity  |                              |                        |
| Liabilities   |                              |                        |
| Current Liabilities   |                              |                        |
| Accounts payable and accrued liabilities  | \$285,517                    | \$298,281              |
| Total Current Liabilities   | 285,517                      | 298,281                |
| Non-Current Liabilities   |                              |                        |
| Reclamation and environmental obligation (Note 11)  | 1,299,802                    | 1,263,584              |
| Total Liabilities   | \$1,585,319                  | \$1,561,865            |
| Stockholders' Equity  |                              |                        |
| Capital Stock, par value \$0.001 per share; authorized 200,000,000 shares,<br>155,731,068 issued and outstanding at December 31, 2013 and 155,731,068 shares<br>issued and outstanding at June 30, 2013 | 155,732                      | 155,732                |
| Additional paid in capital  | 168,773,335                  | 168,773,335            |
| Contributed surplus   | 13,704,151                   | 13,583,315             |
| Deficit accumulated during the exploration stage  | (119,708,738)                | (115,217,521)          |
| Accumulated other comprehensive income (loss)   | (96,367 )                    | (68,940 )              |
| Total Stockholders' Equity  | 62,828,113                   | 67,225,921             |

|  |              |              |
|--|--------------|--------------|
| Total Liabilities and Stockholders' Equity | \$64,413,432 | \$68,787,786 |
|--|--------------|--------------|

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

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

For the Three and Six Month Periods Ended December 31, 2013 and 2012

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

|   | For the Three<br>Month Period<br>Ended<br>December<br>31, 2013 | For the Six<br>Month Period<br>Ended<br>December<br>31, 2013 | For the Three<br>Month Period<br>Ended<br>December<br>31, 2012 | For the Six<br>Month Period<br>Ended<br>December<br>31, 2012 | Cumulative<br>Since<br>Inception to<br>December 31,<br>2013 |
|---|--|--|--|--|---|
| Revenue   |  |  |  |  |   |
| Interest income   | \$1,841  | \$6,807  | \$16,867   | \$32,645   | \$1,231,071   |
| Gain on sale of mineral property                            | -  | -  | 7,361,233  | 7,361,233  | 4,421,233   |
| Other income  | 46,745   | 56,876   | 54,030   | 61,530   | 372,370   |
| Total Revenue   | 48,586   | 63,683   | 7,432,130  | 7,455,408  | 6,024,674   |
| Expenses  |  |  |  |  |   |
| Incorporation costs   | -  | -  | -  | -  | 1,773   |
| Exploration   | 1,855,025  | 3,089,282  | 3,304,365  | 6,798,835  | 60,651,041  |
| Professional fees   | 204,202  | 434,970  | 467,753  | 660,862  | 10,316,423  |
| Directors compensation                                      | 69,970   | 139,946  | 60,972   | 204,602  | 3,392,177   |
| Travel & lodging  | 75,219   | 117,889  | 52,250   | 105,044  | 1,827,158   |
| Corporate communications                                    | 64,287   | 118,638  | 46,564   | 107,178  | 4,245,027   |
| Consulting fees   | 46,705   | 169,282  | 62,151   | 191,744  | 15,283,571  |
| Office & administration                                     | 103,361  | 178,230  | 145,143  | 268,944  | 3,776,564   |
| Interest & service charges                                  | 16,132   | 18,847   | 2,870  | 6,477  | 151,112   |
| Loss on disposal of property and<br>equipment               | -  | -  | -  | -  | 44,669  |
| Insurance   | 87,448   | 189,820  | 87,577   | 178,192  | 1,456,435   |
| Depreciation  | 14,455   | 29,241   | 16,680   | 33,132   | 540,529   |
| Accretion   | 30,683   | 61,366   | 41,936   | 83,872   | 502,698   |
| Miscellaneous   | -  | -  | -  | -  | 203,097   |
| Financing & listing fees                                    | -  | -  | -  | -  | (22,024 )   |
| Acquisition expenses  | -  | -  | -  | -  | 1,505,334   |
| Income and other taxes                                      | 7,389  | 7,389  | -  | -  | 72,136  |
| Write down of mineral property                              | -  | -  | -  | -  | 1,856,049   |
| Total Expenses  | 2,574,876  | 4,554,900  | 4,288,261  | 8,638,882  | 105,803,769   |
| Net Loss (Gain) before other items                          | 2,526,290  | 4,491,217  | (3,143,869 )   | 1,183,474  | 99,779,095  |
| Other items   |  |  |  |  |   |
| Change in fair value of equity<br>conversion right          | -  | -  | -  | -  | 990,236   |
| Other than temporary impairment of<br>marketable securities | -  | -  | -  | -  | 4,050,000   |
| Write down of other assets                                  | -  | -  | -  | -  | 20,246  |
| Change in fair value of warrant<br>liability                | -  | -  | (2,535,296 )   | (1,003,176 )   | 14,702,429  |



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|   |             |             |                |             |               |
|---|-------------|-------------|----------------|-------------|---------------|
| Loss on sale of marketable securities                                   | -           | -           | -              | -           | 166,732       |
| Net (Gain) Loss   | 2,526,290   | 4,491,217   | (5,679,165 )   | 180,298     | 119,708,738   |
| Other comprehensive loss (gain)   |             |             |                |             |               |
| Foreign currency translation adjustment                                 | (10,875 )   | 23,629      | 15,057         | (12,230 )   | 92,569        |
| Unrealized loss (gain) on available-for-sale-securities                 | 108,591     | 3,798       | 2,940,000      | 2,940,000   | 3,798         |
| Total Comprehensive Loss (Gain) for the Period                          | \$2,624,006 | \$4,518,644 | \$(2,724,108 ) | 3,108,068   | \$119,805,105 |
| Loss (Gain) per Common share  |             |             |                |             |               |
| Basic   | \$0.02      | \$0.03      | \$(0.04 )      | \$0.00      |               |
| Diluted   | \$0.02      | \$0.03      | \$(0.04 )      | \$0.00      |               |
| Weighted Average Number of Common Shares Used in Per Share Calculations |             |             |                |             |               |
| Basic   | 155,731,068 | 155,731,068 | 147,546,184    | 147,514,241 |               |
| Diluted   | 155,731,068 | 155,731,068 | 152,095,775    | 152,133,554 |               |

The accompanying notes are an integral part of the condensed consolidated interim financial statements  
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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Condensed Consolidated Interim Statements of Cash Flows

For the Six Month Periods Ended December 31, 2013 and 2012

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

|  | For the Six<br>Month<br>Period<br>Ended<br>December<br>31, 2013 | For the Six<br>Month<br>Period<br>Ended<br>December<br>31, 2012 | Cumulative<br>Since<br>Inception to<br>December 31,<br>2013 |
|--|---|---|---|
| Net Loss   | \$(4,491,217 )  | \$(180,298 )  | \$(119,708,738 )  |
| Adjustment for:  |   |   |   |
| Depreciation   | 29,241  | 33,132  | 540,529   |
| Loss on disposal of assets                               | -   | -   | 44,669  |
| Stock based compensation                                 | 120,836   | 289,411   | 20,932,074  |
| Accrued interest   | -   | -   | (58,875 )   |
| Write-down of mineral properties                         | -   | -   | 1,856,049   |
| Accretion expense  | 61,366  | 83,872  | 502,698   |
| Change in reclamation                                    | (1,909 )  | (1,492 )  | 52,957  |
| Insurance expense  | 122,607   | 122,608   | 795,270   |
| Non cash gain on sale of mineral property                | -   | (7,361,233 )  | (4,216,658 )  |
| Other than temporary impairment of marketable securities | -   | -   | 4,050,000   |
| Change in fair value of equity conversion right          | -   | -   | 990,236   |
| Change in fair value of warrant liability                | -   | (1,003,176 )  | 14,702,429  |
| (Increase) Decrease in accounts receivable               | (119,030 )  | 233,653   | (1,242,851 )  |
| (Increase) Decrease in prepaid expenses                  | (257,718 )  | (128,639 )  | (469,915 )  |
| Increase (Decrease) in accounts payable                  | (12,764 )   | (827,111 )  | (1,598,266 )  |
| Cash used in operating activities                        | \$(4,548,588 )  | \$(8,739,273 )  | \$(82,828,392 )   |
| Sale (purchase) of marketable securities                 | (49,950 )   | -   | 94,740  |
| Increase of reclamation bond                             | -   | (29,418 )   | (145,672 )  |
| Sale (purchase) of GIC receivable                        | -   | 7,500,000   | 58,875  |
| Notes receivable issued                                  | -   | -   | 21,365  |
| Purchase of equity conversion right                      | -   | -   | (1,337,700 )  |
| Purchase of mineral properties                           | -   | (1,460,000 )  | (8,669,870 )  |
| Sale of mineral properties                               | -   | (14,706 )   | (14,706 )   |
| Cash acquired on acquisition of X-Cal                    | -   | -   | 843,101   |
| Purchase of equipment                                    | (2,204 )  | (25,745 )   | (990,323 )  |
| Cash provided by (used in) investing activities          | \$(52,154 )   | \$5,970,131   | \$(10,140,190 )   |
| Demand notes payable issued                              | -   | -   | 105,580   |
| Issuance of capital stock                                | -   | 52,000  | 99,900,199  |
| Cash provided by financing activities                    | \$-   | \$52,000  | \$100,005,779   |
| Effect of exchange rate changes on cash                  | (23,629 )   | 12,230  | (137,517 )  |

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|                                   |              |              |             |
|-----------------------------------|--------------|--------------|-------------|
| Change in cash during period      | (4,624,371 ) | (2,704,912 ) | 6,899,680   |
| Cash at beginning of period       | 11,524,051   | 12,500,708   | -           |
| Cash at end of period             | \$6,899,680  | \$9,795,796  | \$6,899,680 |
| Supplemental Cash Flow Disclosure |              |              |             |
| Cash                              | \$2,096,296  | \$1,696,862  |             |
| Cash Equivalents                  | \$4,803,384  | \$8,098,934  |             |

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

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Condensed Consolidated Interim Statements of Shareholders' Equity

From Inception to the Six Month Period Ended December 31, 2013

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

|  | Shares        | Par Value | Additional Paid in Capital | Deficit Accumulated During Exploration Stage | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|--|---------------|-----------|----------------------------|--|---------------------|---|----------------------------|
| Balance at inception                                     | —             | \$—       | \$—                        | \$—  | \$—                 | \$—   | \$—                        |
| Capital issued for financing                             | 139,933,078   | 139,933   | 47,476,898                 | —  | —                   | —   | 47,616,831                 |
| Capital issued for services                              | 5,342,304     | 5,342     | 10,160,732                 | —  | —                   | —   | 10,166,074                 |
| Capital issued from stock options and warrants exercised | 8,735,987     | 8,736     | 16,611,175                 | —  | (4,078,272 )        | —   | 12,541,639                 |
| Capital issued for mineral properties                    | 17,678,519    | 17,679    | 16,197,567                 | —  | —                   | —   | 16,215,246                 |
| Capital issued on settlement of notes payable            | 39,691        | 39        | 105,541                    | —  | —                   | —   | 105,580                    |
| Returned to treasury                                     | (61,660,000 ) | (61,660 ) | 61,660                     | —  | —                   | —   | —                          |
| Fair value of warrants                                   | —             | —         | —                          | —  | 12,073,546          | —   | 12,073,546                 |
| Stock based compensation                                 | —             | —         | —                          | —  | 6,442,812           | —   | 6,442,812                  |
| Transition adjustment (Note 2)                           | —             | —         | —                          | (12,637,875 )                                | (3,612,864 )        | —   | (16,250,739)               |
| Foreign currency translation                             | —             | —         | —                          | —  | —                   | (443,675 )                                    | (443,675 )                 |
| Net Loss   | —             | —         | —                          | (48,549,222 )                                | —                   | —   | (48,549,222)               |
| Balance at June 30, 2010                                 | 110,069,579   | \$110,069 | \$90,613,573               | \$(61,187,097 )                              | \$10,825,222        | \$(443,675 )                                  | \$39,918,092               |
| Capital issued for financing                             | 19,395        | 19        | 23,970                     | —  | —                   | —   | 23,989                     |
|  | 4,153,085     | 4,154     | 10,219,361                 | —  | (1,053,645 )        | —   | 9,169,870                  |

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|  |             |            |                |                   |               |              |               |
|--|-------------|------------|----------------|-------------------|---------------|--------------|---------------|
| Capital issued from stock options and warrants exercised |             |            |                |                   |               |              |               |
| Capital issued for acquisition                           | 22,007,453  | 22,007     | 28,807,756     | —                 | 314,790       | —            | 29,144,553    |
| Stock based compensation                                 | —           | —          | —              | —                 | 1,200,875     | —            | 1,200,875     |
| Foreign currency translation                             | —           | —          | —              | —                 | —             | 492,405      | 492,405       |
| Unrealized loss on available for sale securities         | —           | —          | —              | —                 | —             | (30,945 )    | (30,945 )     |
| Net Loss   | —           | —          | —              | (28,450,536 )     | —             | —            | (28,450,536)  |
| Balance at June 30, 2011                                 | 136,249,512 | \$ 136,249 | \$ 129,664,660 | \$ (89,637,633 )  | \$ 11,287,242 | \$ 17,785    | \$ 51,468,303 |
| Capital issued for financing                             | 10,417,776  | 10,418     | 20,335,755     | —                 | —             | —            | 20,346,173    |
| Capital issued from stock options and warrants exercised | 345,315     | 346        | 600,873        | —                 | (313,792 )    | —            | 287,427       |
| Capital issued for mineral properties                    | 400,000     | 400        | 963,600        | —                 | —             | —            | 964,000       |
| Stock based compensation                                 | —           | —          | —              | —                 | 1,918,724     | —            | 1,918,724     |
| Foreign currency translation                             | —           | —          | —              | —                 | —             | (113,460 )   | (113,460 )    |
| Unrealized loss on available for sale securities         | —           | —          | —              | —                 | —             | 30,945       | 30,945        |
| Net Loss   | —           | —          | —              | (12,091,608 )     | —             | —            | (12,091,608)  |
| Balance at June 30, 2012                                 | 147,412,603 | \$ 147,413 | \$ 151,564,888 | \$ (101,729,241 ) | \$ 12,892,174 | \$ (64,730 ) | \$ 62,810,504 |
| Capital issued from stock options and warrants exercised | 8,318,465   | 8,319      | 17,208,447     | —                 | (542,974 )    | —            | 16,673,792    |
| Stock based compensation                                 | —           | —          | —              | —                 | 1,234,115     | —            | 1,234,115     |
| Foreign currency translation                             | —           | —          | —              | —                 | —             | (4,210 )     | (4,210 )      |

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|   |             |            |                |                 |               |             |               |
|---|-------------|------------|----------------|-----------------|---------------|-------------|---------------|
| Net Loss  | —           | —          | —              | (13,488,280 )   | —             | —           | (13,488,280)  |
| Balance at<br>June 30, 2013                               | 155,731,068 | \$ 155,732 | \$ 168,773,335 | \$(115,217,521) | \$ 13,583,315 | \$(68,940 ) | \$ 67,225,921 |
| Stock based<br>compensation                               | —           | —          | —              | —               | 97,466        | —           | 97,466        |
| Foreign<br>currency<br>translation                        | —           | —          | —              | —               | —             | (34,504 )   | (34,504 )     |
| Unrealized<br>loss on<br>available for<br>sale securities | —           | —          | —              | —               | —             | 104,793     | 104,793       |
| Net Loss  | —           | —          | —              | (1,964,927 )    | —             | —           | (1,964,927 )  |
| Balance at<br>September 30,<br>2013                       | 155,731,068 | \$ 155,732 | \$ 168,773,335 | \$(117,182,448) | \$ 13,680,781 | \$ 1,349    | \$ 65,428,749 |
| Stock based<br>compensation                               | —           | —          | —              | —               | 23,370        | —           | 23,370        |
| Foreign<br>currency<br>translation                        | —           | —          | —              | —               | —             | 10,875      | 10,875        |
| Unrealized<br>loss on<br>available for<br>sale securities | —           | —          | —              | —               | —             | (108,591 )  | (108,591 )    |
| Net Loss  | —           | —          | —              | (2,526,290 )    | —             | —           | (2,526,290 )  |
| Balance at<br>December 30,<br>2013                        | 155,731,068 | \$ 155,732 | \$ 168,773,335 | \$(119,708,738) | \$ 13,704,151 | \$(96,367 ) | \$ 62,828,113 |

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

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended December 31, 2013

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

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1. Principal Accounting Policies:

Paramount Gold and Silver Corp. (the “Company”), incorporated under the General Corporation Law of the State of Delaware, and its wholly-owned subsidiaries are engaged in the acquisition, exploration and development of precious metal properties. The Company’s wholly owned subsidiaries include Paramount Gold de Mexico S.A. de C.V., Magnetic Resources Ltd, Minera Gama SA de CV, and Paramount Nevada Gold Corp. (formerly X-Cal Resources Ltd.). The Company is an exploration stage mining company in the process of exploring its mineral properties in both the United States and Mexico, and has not yet determined whether its properties contain reserves that are economically recoverable.

Basis of Presentation and Preparation

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. In the opinion of management, all of the normal and recurring adjustments necessary to fairly present the interim financial information set forth herein have been included. The results of operations for interim periods are not necessarily indicative of the operating results of a full year or of future years.

These interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States and, with the exception of new accounting pronouncements described in Note 2, follow the same accounting policies and methods of their application as the most recent annual financial statements. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. These interim financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Annual Report on Form 10-K of Paramount Gold and Silver Corp. for the year ended June 30, 2013.

Use of Estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made by management in the accompanying financial statements include collectability of amounts receivable, the adequacy of the Company’s asset retirement obligations and fair value of stock based compensation.

Stock Based Compensation

The Company has adopted the provisions of FASB ASC 718, “Stock Compensation” (“ASC 718”), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of ASC 718, 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 employee’s requisite service period (generally the vesting period of the equity grant). New shares of the Company’s Common Stock will be issued for any options exercised or awards granted.

#### Mineral Properties

Mineral property acquisition costs are capitalized when incurred and will be amortized using the units –of – production method over the estimated life of the reserve following the commencement of production. If a mineral property is subsequently abandoned or impaired, any capitalized costs will be expensed in the period of abandonment or impairment.

Acquisition costs include cash consideration and the fair market value of shares issued on the acquisition of mineral properties.

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(Unaudited)

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1. Principal Accounting Policies (Continued):

Exploration Costs

Exploration costs, which include maintenance, development and exploration of mineral claims, are expensed as incurred. When it is determined that a mineral deposit can be economically developed as a result of establishing proven and probable reserves, the costs incurred after such determination will be capitalized and amortized over their useful lives. To date, the Company has not established the commercial feasibility of its exploration prospects; therefore, all exploration costs are being expensed.

Derivatives

The Company accounts for its derivative instruments not indexed to our stock as either assets or liabilities and carries them at fair value. Derivatives that are not defined as hedges must be adjusted to fair value through earnings.

Warrants and options issued in prior periods with exercise prices denominated in Canadian dollars are no longer considered indexed to our stock, as their exercise price is not in the Company's functional currency of the US dollar, and therefore no longer qualify for the scope exception and must be accounted for as a derivative. These warrants and options are reclassified as liabilities under the caption "Warrant liability" and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Changes in the liability from period to period are recorded in the Statements of Operations under the caption "Change in fair value of warrant liability."

The Company elected to record the change in fair value of the warrant liability as a component of other income and expense on the statement of operations as we believe the amounts recorded relate to financing activities and not as a result of our operations.

Net Loss per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during each period. Diluted loss per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Concentration of Credit Risk and Amounts Receivable

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and amounts receivable. We deposit our cash with financial institutions which we believe have sufficient credit quality to minimize risk of loss.

Impuesto al Valor Agregado taxes (IVA) are recoverable value-added taxes charged by the Mexican government on goods sold and services rendered at a rate of 16%. Under certain circumstances, these taxes are recoverable by filing a tax return and as determined by the Mexican taxing authority. Each period, receivables are reviewed for collectability. When a receivable is determined to not be collectable we allow for the receivable until we are either

assured of collection or assured that a write-off is necessary. Allowances in association with our receivable from IVA from our Mexico subsidiaries are based on our determination that the Mexican government may not allow the complete refund of these taxes. The Company believes that all amounts recorded as a receivable from the Mexican government will be recovered.

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1. Principal Accounting Policies (Continued):

Marketable Securities

The Company classifies its marketable securities as available-for-sale securities. The securities are measured at fair market value in the financial statements with unrealized gains and temporary losses on investments classified as available for sale are included within accumulated other comprehensive income, net of any related tax effect. Upon realization, such amounts are reclassified from accumulated other comprehensive income to other income, net, realized gains and losses and other than temporary impairments, if any, are reflected in the statements of operations as other income or expenses. The Company does not recognize changes in the fair value of its investments in income unless a decline in value is considered other than temporary.

Foreign Currency

The parent company's functional currency is the United States dollar. The functional currencies of the Company's wholly-owned subsidiaries are the U.S. Dollar and the Canadian Dollar. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the consolidated balance sheet date. Foreign currency transaction gains and losses are included in the statement of operations and comprehensive loss. The aggregate foreign transaction loss for the six month period ended December 31, 2013 that is included in the statement of operations is \$4,068.

The financial statements of the subsidiaries are translated to United States dollars in accordance with ASC 830 using period-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity.

2. Recent Accounting Pronouncements Adopted and New Accounting Pronouncements:

Accounting Pronouncements Adopted During the Period

i) ASU 2012-04

On July 1, 2013, the Company adopted ASU 2012-04, "Technical Corrections and Improvements". The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The adoption of ASU 2012-04 did not have a material impact on our financial position or results of operations.

ii) ASU 2013-02

On July 1, 2013, the Company adopted ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income." This updated guidance improves the reporting of

significant items reclassified out of accumulated other comprehensive income and requires an entity to present, either on the face of the statement where net income is presented or in the notes, separately for each component of comprehensive income, the current period reclassifications out of accumulated other comprehensive income by the respective line items of net income affected by the reclassification. Other than requiring additional disclosures, the adoption did not have an effect on our financial position or results of operations.

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## 2. Recent Accounting Pronouncements Adopted and New Accounting Pronouncements (Continued):

## New Accounting Pronouncements Not Yet Adopted

## i) ASU 2013-05

In March 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-05, “Foreign Currency Matters (Topic 830); Parents Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.” This guidance applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of substance real estate or conveyance of oil and gas, mineral rights) within a foreign entity. ASU No. 2013-05 is effective prospectively for fiscal years (and interim reporting periods with those years) beginning after December 15, 2013. We are currently reviewing the provisions of ASU No. 2013-05 on our financial position or results of operations.

## ii) ASU 2013-11

In July 2013, FASB issued ASU 2013-11, “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exits.” The FASB’s objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. This ASU applies to all entities with unrecognized tax benefits that also have tax loss or tax credit carryforwards in the same tax jurisdiction as of the reporting date. ASU No. 2013-11 is effective for public entities for fiscal years beginning after December 15, 2013, and interim periods within those years. Early adoption is permitted. The amendments should be applied to all unrecognized tax benefits that exist as of the effective date. Entities may choose to apply the amendments retrospectively to each prior reporting period presented. We are currently assessing the impact of the adoption of this update on our financial position or results of operations.

## 3. Marketable Securities:

The following table summarizes the Company’s available-for sale securities on hand as of December 31, 2013 and June 30, 2013:

|  | Cost Basis  | Impairment Charge | Adjusted Cost | Gross Unrealized Losses | Gross Unrealized Gains | Fair Value |
|--|-------------|-------------------|---------------|-------------------------|------------------------|------------|
| Marketable securities at December 31, 2013 | \$499,950   | -                 | -             | \$ 3,798                | -                      | \$496,152  |
| Marketable securities at June 30, 2013     | \$4,500,000 | \$4,050,000       | \$450,000     | -                       | -                      | \$450,000  |

In the three month period ended December 31, 2013, the Company recorded an unrealized loss of \$108,591 (2012 – \$0). In the six month period ended December 31, 2013, the Company recorded an unrealized loss of \$3,798 (2012 - \$0). The marketable securities reflected in the table above include a convertible preferred share with an attached purchase warrant of a single entity involved in the exploration of precious metals. The Company performs a quarterly assessment on its marketable securities with unrealized losses to determine if the security is other than temporarily impaired.

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On July 30, 2013, the Company sold 6 million shares of common stock of Valor Gold Corporation for proceeds of approximately \$450,000.

On August 7, 2013, the Company purchased convertible preferred shares and stock purchase warrants of Pershing Gold Corporation, a gold exploration and development company, in the amount of \$499,950.

4. Fair Value Measurements:

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization with the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

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

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

|                           | Fair Value at December 31, 2013 | Level       |      |           | June 30, 2013 |
|---------------------------|---------------------------------|-------------|------|-----------|---------------|
|                           |                                 | Level 1     | 2    | Level 3   |               |
| Assets                    | Total                           |             |      |           | Total         |
| Cash and cash equivalents | \$6,899,680                     | \$6,899,680 | \$ - | \$-       | \$11,524,051  |
| Marketable Securities     | \$496,152                       | \$-         | \$ - | \$496,152 | \$450,000     |

The Company's cash and cash equivalents and short-term investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash and cash equivalents that are valued based on

quoted market prices in active markets are primarily comprised of commercial paper, short-term certificates of deposit and U.S. Treasury securities.

The Company's marketable securities include convertible preferred stock and stock purchase warrants. The convertible preferred stock is recorded at fair market value in the financial statements based on quoted market prices of the underlying common stock security with an adjustment made using a European put option model to reflect certain restrictions from resale. The stock purchase warrants' fair value is recorded using a Black Scholes options model using inputs such as contractual terms, stock volatility and implied interest rates. The Company's marketable securities are classified within Level 3 of the fair value hierarchy.

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5. Non-Cash Transactions:

During the six months ended December 31, 2013 and 2012, the Company entered into certain non-cash activities as follows:

|  | 2013 | 2012     |
|--|------|----------|
| Operating and Financing Activities                       |      |          |
| From issuance of shares for cashless exercise of options | \$ - | \$34,828 |

6. Capital Stock:

a) Share issuances:

Authorized capital stock consists of 200,000,000 common shares with par value of \$0.001 per share. At December 31, 2013 there were 155,731,068 shares issued and outstanding and 155,731,068 shares issued and outstanding at June 30, 2013.

During the six months ended December 31, 2013 and 2012, the Company issued the following shares:

|                                      | Common<br>Shares<br>2013 | 2012      |
|--------------------------------------|--------------------------|-----------|
| For exercise of warrants and options | - 133,581                | - 133,581 |

b) Stock options:

On August 23, 2007, the board and stockholders approved the 2007/2008 Stock Incentive & Compensation Plan thereby reserving an additional 4,000,000 common shares for issuance to employees, directors and consultants.

On February 24, 2009, the stockholders approved the 2008/2009 Stock Incentive & Equity Compensation Plan thereby reserving an additional 3,000,000 common shares for future issuance. The stockholders also approved the re-pricing of the exercise price of all outstanding stock options to \$0.65 per share.

On December 2, 2011, the stockholders approved the 2011/2012 Stock Incentive & Equity Compensation Plan thereby reserving an additional 4,000,000 common shares for future issuance to employees, directors and consultants.

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.

The Company did not grant options for the three month periods ending December 31, 2013 and 2012.

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## 6. Capital Stock (Continued):

Changes in the Company's stock options for the six months ended December 31, 2013 are summarized below:

| Options                          | Number    | Weighted<br>Avg.<br>Exercise<br>Price | Weighted-Average<br>Remaining<br>Contractual Term | Aggregate<br>Intrinsic<br>Value |
|----------------------------------|-----------|---------------------------------------|---|---------------------------------|
| Outstanding at June 30, 2013     | 3,776,500 | \$ 2.20                               | 2.28  | \$ 0                            |
| Issued                           | 105,000   | 1.62                                  | -   | -                               |
| Cancelled / Expired              | (60,000 ) | 2.47                                  | -   | -                               |
| Exercised                        | -         | -                                     | -   | -                               |
| Outstanding at December 31, 2013 | 3,821,500 | \$ 2.18                               | 1.83  | \$ 0                            |
| Exercisable at December 31, 2013 | 3,631,501 | \$ 2.15                               | 1.85  | \$ 0                            |

At December 31, 2013, there were 3,821,500 options outstanding. Options outstanding above that have not vested at period end are 189,999 which have a maximum service term of 1- 4 years. The vesting of these options is dependent on market conditions which have yet to be met. As of December 31, 2013, there was \$115,336 (2012 - \$208,832) of unrecognized compensation cost related to non-vested stock options to be recognized over a weighted average period of 1.44 years.

A summary of the non-vested options as of June 30, 2013 and changes during the six months ended December 31, 2013 are as follows:

| Non-vested Options              | Number    | Weighted<br>Avg.<br>Grant-Date<br>Fair<br>Value |
|---------------------------------|-----------|---|
| Non-vested at June 30, 2013     | 189,999   | \$ 2.12   |
| Issued                          | 105,000   | 0.71  |
| Vested                          | (105,000) | 0.71  |
| Forfeited                       | -         | -   |
| Non-vested at December 31, 2013 | 189,999   | \$ 2.12   |

For the three and six months ended December 31, 2013, the Company recognized a stock based compensation expense in the amount of \$23,370 and \$120,836 respectively (2012 - \$23,297 and \$289,411).

## 7. Related Party Transactions:

During the three and six months ended December 31, 2013, directors earned fees in the amount of \$54,000 and \$108,000 respectively (2012 -\$45,000 and \$90,000) for their services as directors or members of committees of the

Company's Board. During the three and six months ended December 31, 2013, the Company also recorded a non-cash transaction to recognize stock based compensation for directors in the amount of \$15,970 and \$31,946 respectively (2012 -\$25,297 and \$123,927)

All transactions with related parties are made in the normal course of operations and measured at exchange value.

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## 8. Mineral Properties:

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

|                    | December<br>31, 2013 | June 30,<br>2013 |
|--------------------|----------------------|------------------|
| Iris Royalty       | 50,000               | 50,000           |
| San Miguel Project | 23,452,263           | 23,452,263       |
| Sleeper            | 25,891,490           | 25,891,490       |
| Mill Creek         | 2,096,616            | 2,096,616        |
| Spring Valley      | 385,429              | 385,429          |
|                    | \$51,875,798         | \$51,875,798     |

## San Miguel Project:

The 100% owned San Miguel Project is located in southwestern Chihuahua, a state in Northern Mexico. It consists of 40 mining concessions which total approximately 551 square miles. The concessions were acquired from 2005 to 2012 over a series of transactions with third parties.

## Sleeper:

The Sleeper Gold Project was acquired through our acquisition of X-Cal Resources Ltd. in August 2010. Sleeper is located in northern Nevada approximately 26 miles northwest of the town of Winnemucca. When acquired in 2010, the Sleeper Gold Mine consisted of 1,044 unpatented mining claims. In August 2011 and July 2012, the Company has staked a total of 1,526 additional unpatented lode mining claims.

## Mill Creek:

The Mill Creek property consists of 36 unpatented lode mining claims totaling 720 acres south of Battle Mountain Nevada.

## Spring Valley:

The Spring Valley property consists of 38 unpatented lode mining claims located in Pershing County, Nevada.

## 9. Property and Equipment:

Property and equipment consist of the following:

|                                 | December<br>31, 2013 | June 30,<br>2013 |
|---------------------------------|----------------------|------------------|
| Exploration and other equipment | \$330,705            | \$330,705        |

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|                                  |           |           |
|----------------------------------|-----------|-----------|
| Buildings and leaseholds         | 325,207   | 325,207   |
| Furniture and computer equipment | 240,483   | 238,278   |
| Subtotal                         | 896,394   | 894,190   |
| Accumulated depreciation         | (491,144) | (461,903) |
| Total                            | \$405,250 | \$432,287 |

During the six months ended December 31, 2013, net additions to property, and equipment were \$2,204 (2012-\$25,745). During the six months ended December 31, 2013 the Company recorded depreciation of \$29,241(2012-\$33,132).

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## 10. Segmented Information:

Segmented information has been compiled based on the geographic regions in which the Company has acquired mineral properties and performs exploration activities.

Loss for the period by geographical segment for the six months ended December 31, 2013:

|   | United<br>States | Mexico      | Total       |
|---|------------------|-------------|-------------|
| Interest income   | \$6,807          | \$-         | \$6,807     |
| Other income  | 51,745           | 5,131       | 56,876      |
| Total income  | \$58,552         | \$5,131     | \$63,683    |
| Expenses:   |                  |             |             |
| Exploration   | 1,007,586        | 2,081,696   | 3,089,282   |
| Professional fees                                       | 434,970          | -           | 434,970     |
| Directors compensation                                  | 139,946          | -           | 139,946     |
| Travel and lodging                                      | 117,889          | -           | 117,889     |
| Corporate communications                                | 118,638          | -           | 118,638     |
| Consulting fees   | 169,282          | -           | 169,282     |
| Office and administration                               | 159,570          | 18,660      | 178,230     |
| Interest and service charges                            | 4,014            | 14,833      | 18,847      |
| Insurance   | 189,820          | -           | 189,820     |
| Depreciation  | 12,842           | 16,399      | 29,241      |
| Accretion   | 61,366           | -           | 61,366      |
| Income and other taxes                                  | 7,389            | -           | 7,389       |
| Total Expenses  | 2,423,313        | 2,131,587   | 4,554,900   |
| Net loss  | \$2,364,761      | \$2,126,456 | \$4,491,217 |
| Other comprehensive loss(gain)                          |                  |             |             |
| Foreign currency translation adjustment                 | 23,629           | -           | 23,629      |
| Unrealized loss (gain) on available-for-sale-securities | 3,798            | -           | 3,798       |
| Total Comprehensive Loss for the Period                 | \$2,392,188      | \$2,126,456 | \$4,518,644 |

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## 10. Segmented Information (Continued):

Loss for the period by geographical segment for the six months period ended December 31, 2012:

|   | United<br>States | Mexico      | Total         |
|---|------------------|-------------|---------------|
| Interest income                                   | \$26,445         | \$6,200     | \$32,645      |
| Gain on sale of mineral property                  | 7,361,233        | -           | 7,361,233     |
| Other income                                      | 57,500           | 4,030       | 61,530        |
| Total income                                      | \$7,445,178      | \$10,230    | \$7,455,408   |
| Expenses:   |                  |             |               |
| Exploration                                       | 3,573,912        | 3,224,923   | 6,798,835     |
| Professional fees                                 | 660,862          | -           | 660,862       |
| Directors compensation                            | 204,602          | -           | 204,602       |
| Travel and lodging                                | 105,044          | -           | 105,044       |
| Corporate communications                          | 107,178          | -           | 107,178       |
| Consulting fees                                   | 191,744          | -           | 191,744       |
| Office and administration                         | 202,726          | 66,218      | 268,944       |
| Interest and service charges                      | 4,844            | 1,633       | 6,477         |
| Insurance   | 178,192          | -           | 178,192       |
| Amortization                                      | 17,674           | 15,458      | 33,132        |
| Accretion   | 83,872           | -           | 83,872        |
| Total Expenses                                    | 5,330,650        | 3,308,232   | 8,638,882     |
| Net loss (gain) before other items                | \$(2,114,528)    | \$3,298,002 | \$(1,183,474) |
| Other items                                       |                  |             |               |
| Change in fair value of warrant liability         | (1,003,176)      | -           | (1,003,176)   |
| Net Loss (Gain)                                   | \$(3,117,704)    | \$3,298,002 | \$180,298     |
| Other comprehensive loss (gain)                   |                  |             |               |
| Foreign currency translation adjustment           | (12,230 )        | -           | (12,230 )     |
| Unrealized loss on available for sale investments | 2,940,000        | -           | 2,940,000     |
| Total Comprehensive Loss (Gain) for the Period    | \$(189,934 )     | \$3,298,002 | \$3,108,068   |



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## 10. Segmented Information (Continued):

Assets by geographical segment:

|                        | United<br>States | Mexico       | Total        |
|------------------------|------------------|--------------|--------------|
| December 31, 2013      |                  |              |              |
| Mineral properties     | \$28,273,535     | \$23,602,263 | \$51,875,798 |
| Property and equipment | \$55,957         | \$349,293    | \$405,250    |
| June 30, 2013          |                  |              |              |
| Mineral properties     | \$28,273,535     | \$23,602,263 | \$51,875,798 |
| Property and equipment | \$66,595         | \$365,692    | \$432,287    |

## 11. Reclamation and Environmental:

The Company holds an insurance policy related to its Sleeper Gold Project that covers reclamation costs in the event the Company defaults on payments of its reclamation costs up to an aggregate of \$25 million. The insurance premium is being amortized over ten years and the current and non-current prepaid insurance balance at December 31, 2013 is \$245,215 (2012 - \$490,430).

As a part of the policy, the Company has funds in a commutation account which is used to reimburse reclamation costs and indemnity claims. The balance of the commutation account at December 31, 2013 is \$2,695,145 (June 31, 2013 - \$2,718,384).

Reclamation and environmental costs are based principally on legal requirements. Management estimates costs associated with reclamation of mineral properties and properties under mine closure. On an ongoing basis the Company evaluates its estimates and assumptions; however, actual amounts could differ from those based on estimates and assumptions.

The asset retirement obligation at the Sleeper Gold Project has been measured using the following variables:

1) Expected costs for earthwork, re-vegetation, in-pit water treatment, on-going monitoring, labor and management, 2) Inflation adjustment, and 3) Market risk premium. The sum of the expected costs by year is discounted using the Company's credit adjusted risk free interest rate from the time it expects to pay the retirement obligation to the time it incurs the obligation. The reclamation and environmental obligation recorded on the balance sheet is equal to the present value of the estimated costs.

Changes to the Company's asset retirement obligations for the six months ended December 31, 2013 are as follows:

|                                | December<br>31, 2013 | June 30,<br>2013 |
|--------------------------------|----------------------|------------------|
| Balance at beginning of period | \$1,263,584          | \$1,198,179      |

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|                          |             |             |
|--------------------------|-------------|-------------|
| Accretion expense        | 61,366      | 167,744     |
| Payments                 | (25,148 )   | (102,339 )  |
| Balance at end of period | \$1,299,802 | \$1,263,584 |

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(Unaudited)

## 12. Restatement:

In the fourth quarter of the Company's fiscal year ended June 30, 2013, we disclosed an adjustment that decreased the gain that was recorded on the sale of a mineral property in the amount of \$2,940,000. The adjustment was a result of a change in the Company's valuation technique and therefore a change in accounting estimate under guidance of FASB ASC 820-10-35-26. We have determined that this adjustment was reflected on a retrospective basis for the comparative three month and six month periods ending December 31, 2012 on the condensed consolidated interim statement of operations and comprehensive loss and on the condensed consolidated interim statement of cash flows. As per the guidance under FASB ASC 250-10-45-17 a change in estimate is recorded in the period of change or future periods.

The unaudited condensed consolidated interim statement of operations and comprehensive loss, unaudited condensed consolidated interim statement of cash flows and unaudited notes to condensed consolidated interim financial statements have been adjusted where applicable to reflect the revision.

The adjustment to net loss for the three and six month period ended December 31, 2012 is summarized below:

|   | Three<br>Month<br>Period<br>Ended<br>December<br>31, 2012 | Six Month<br>Period<br>Ended<br>December<br>31, 2012 |
|---|---|--|
| Net loss (gain), as previously reported                   | \$(2,739,165)   | \$3,120,298  |
| Adjustment for change in gain on sale of mineral property | (2,940,000)   | (2,940,000)  |
| Tax effect of restatement adjustment                      | -   | -  |
| Net loss (gain), as restated                              | (5,679,165)   | 180,298  |
| Basis and diluted net loss per share, as restated         | \$(0.04   | ) \$0.00   |

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended December 31, 2013

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

The unaudited condensed consolidated interim statement of operations and comprehensive loss included Form 10-Q/A have been restated to include the effects of revisions as follows:

|   | As Previously<br>Reported<br>For the Three<br>Month<br>Period Ended<br>December<br>31, 2012 | As Restated<br>Reported<br>For the Three<br>Month<br>Period Ended<br>December<br>31, 2012 | As Previously<br>Reported<br>For the Six<br>Month Period<br>Ended<br>December<br>31, 2012 | As Restated<br>Reported<br>For the Six<br>Month<br>Period Ended<br>December<br>31, 2012 |
|---|---|---|---|---|
| Revenue   |   |   |   |   |
| Interest income   | \$16,867  | \$16,867  | \$32,645  | \$32,645  |
| Gain on sale of mineral property                        | 4,421,233   | 7,361,233   | 4,421,233   | 7,361,233   |
| Other income  | 54,030  | 54,030  | 61,530  | 61,530  |
| Total Revenue   | 4,492,130   | 7,432,130   | 4,515,408   | 7,455,408   |
| Expenses  |   |   |   |   |
| Exploration   | 3,304,365   | 3,304,365   | 6,798,835   | 6,798,835   |
| Professional fees                                       | 467,753   | 467,753   | 660,862   | 660,862   |
| Directors compensation                                  | 60,972  | 60,972  | 204,602   | 204,602   |
| Travel & lodging  | 52,250  | 52,250  | 105,044   | 105,044   |
| Corporate communications                                | 46,564  | 46,564  | 107,178   | 107,178   |
| Consulting fees   | 62,151  | 62,151  | 191,744   | 191,744   |
| Office & administration                                 | 145,143   | 145,143   | 268,944   | 268,944   |
| Interest & service charges                              | 2,870   | 2,870   | 6,477   | 6,477   |
| Loss on disposal of property and equipment              | -   | -   | -   | -   |
| Insurance   | 87,577  | 87,577  | 178,192   | 178,192   |
| Depreciation  | 16,680  | 16,680  | 33,132  | 33,132  |
| Accretion   | 41,936  | 41,936  | 83,872  | 83,872  |
| Total Expenses  | 4,288,261   | 4,288,261   | 8,638,882   | 8,638,882   |
| Net Loss (Gain) before other items                      | (203,869 )  | (3,143,869 )  | 4,123,474   | 1,183,474   |
| Other items   |   |   |   |   |
| Change in fair value of warrant liability               | (2,535,296 )  | (2,535,296 )  | (1,003,176 )  | (1,003,176 )  |
| Net Loss (Gain)   | (2,739,165 )  | (5,679,165 )  | 3,120,298   | 180,298   |
| Other comprehensive loss (gain)                         |   |   |   |   |
| Foreign currency translation adjustment                 | 15,057  | 15,057  | (12,230 )   | (12,230 )   |
| Unrealized loss (gain) on available-for-sale-securities | -   | 2,940,000   | -   | 2,940,000   |
| Total Comprehensive Loss (Gain) for the Period          | \$(2,724,108 )  | \$(2,724,108 )  | \$3,108,068   | \$3,108,068   |

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|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| Loss (Gain) per Common share  |             |             |             |             |
| Basic   | \$ (0.02    | ) \$ (0.04  | ) \$ 0.02   | \$ 0.00     |
| Diluted   | \$ (0.02    | ) \$ (0.04  | ) \$ 0.02   | \$ 0.00     |
| Weighted Average Number of Common Shares Used in Per Share Calculations |             |             |             |             |
| Basic   | 147,546,184 | 147,546,184 | 147,514,241 | 147,514,241 |
| Diluted   | 152,095,775 | 152,095,775 | 152,133,554 | 152,133,554 |

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## PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Month Period Ended December 31, 2013

(Expressed in United States dollars, unless otherwise stated)

(Unaudited)

The unaudited condensed consolidated interim statement of cash flows included Form 10-Q/A have been restated to include the effects of revisions as follows:

|  | As<br>Previously<br>Reported<br>For the Six<br>Month<br>Period<br>Ended<br>December<br>31, 2013 | As Restated<br>For the<br>Six Month<br>Period<br>Ended<br>December<br>31,<br>2012 |
|--|---|---|
| Net Loss   | \$(3,120,298 )  | \$(180,298 )  |
| Adjustment for:  |   |   |
| Depreciation   | 33,132  | 33,132  |
| Loss on disposal of assets                               | -   | -   |
| Stock based compensation                                 | 289,411   | 289,411   |
| Accrued interest   | -   | -   |
| Write-down of mineral properties                         | -   | -   |
| Accretion expense  | 83,872  | 83,872  |
| Change in reclamation                                    | (1,492 )  | (1,492 )  |
| Insurance expense  | 122,608   | 122,608   |
| Non cash gain on sale of mineral property                | (4,421,233 )  | (7,361,233 )  |
| Other than temporary impairment of marketable securities | -   | -   |
| Change in fair value of equity conversion right          | -   | -   |
| Change in fair value of warrant liability                | (1,003,176 )  | (1,003,176 )  |
| (Increase) Decrease in accounts receivable               | 233,653   | 233,653   |
| (Increase) Decrease in prepaid expenses                  | (128,639 )  | (128,639 )  |
| Increase (Decrease) in accounts payable                  | (827,111 )  | (827,111 )  |
| Cash used in operating activities                        | \$(8,739,273 )  | \$(8,739,273 )  |
| Sale (purchase) of marketable securities                 | -   | -   |
| Increase of reclamation bond                             | (29,418 )   | (29,418 )   |
| Sale (purchase) of GIC receivable                        | 7,500,000   | 7,500,000   |
| Notes receivable issued                                  | -   | -   |
| Purchase of equity conversion right                      | -   | -   |
| Purchase of mineral properties                           | (1,460,000 )  | (1,460,000 )  |
| Sale of mineral properties                               | (14,706 )   | (14,706 )   |
| Cash acquired on acquisition of X-Cal                    | -   | -   |
| Purchase of equipment                                    | (25,745 )   | (25,745 )   |
| Cash provided by (used in) investing activities          | \$5,970,131   | \$5,970,131   |

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|   |              |              |
|---|--------------|--------------|
| Demand notes payable issued             | -            | -            |
| Issuance of capital stock               | 52,000       | 52,000       |
| Cash provided by financing activities   | \$52,000     | \$52,000     |
| Effect of exchange rate changes on cash | 12,230       | 12,230       |
| Change in cash during period            | (2,704,912 ) | (2,704,912 ) |
| Cash at beginning of period             | 12,500,708   | 12,500,708   |
| Cash at end of period                   | \$9,795,796  | \$9,795,796  |
| Supplemental Cash Flow Disclosure       |              |              |
| Cash                                    | \$1,696,862  | \$1,696,862  |
| Cash Equivalents                        | \$8,098,934  | \$8,098,934  |
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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with (i) our accompanying interim consolidated financial statements and related notes (included elsewhere in this report) and (ii) our consolidated financial statements, related notes and management's discussion and analysis of financial condition and results of operations included in our June 30, 2013 annual report filed on Form 10-K with the Securities and Exchange Commission on September 9, 2013.

We are an exploratory stage mining company that currently has mining concessions in Mexico and mining claims in Nevada, USA. We have no proven reserves at our San Miguel project in Mexico or at our Sleeper Gold project in Nevada but are currently exploring both projects. The following discussion updates our planned operations for this fiscal year. It also analyzes our financial condition and summarizes the results of operations for the three and six month periods ended December 31, 2013 and compares those results to the three and six months period ended December 31, 2012.

Plan of Operation:

Exploration

Mexico

Our plan at the San Miguel Project is to conduct exploration drilling by testing new areas or expanding on known mineralized zones with infill drilling. Over fifty drill holes have been completed since our last material estimate. The Company plans to update this estimate in the first half of 2014. The Company also intends to evaluate silver metallurgical recovery alternatives for the Don Ese Zone. Paramount plans to update its Preliminary Economic Assessment (the "San Miguel PEA") in the second half of 2014. The San Miguel PEA will test the economic viability of the open pit/heap leach operations at multiple zones and further, it will include the updated resources.

The Company's exploration plan and budget for the San Miguel Project will be managed by its in-house technical staff. It will be funded by the Company's cash on hand, and we have budgeted approximately \$1.9 million for the next six months.

Nevada

Our plan for our current fiscal year is to continue focusing on our Sleeper Gold Project. Our budget for the next six month period is approximately \$1.0 million. The budget activities will include drilling, modeling and metallurgical testing. The drill plans include drilling to obtain metallurgical samples, infill drilling to increase confidence in mineralized material and exploration drilling in the south Sleeper zone.

We plan to update our mineralized material model with drill hole data that was not previously included. This will allow us, along with a newly created geo-metallurgical model, to update our Preliminary Economic Assessment (the "Sleeper PEA") which we completed in 2012.

Our work at both the San Miguel Project and Sleeper Gold Project is consistent with Paramount's strategy of expanding and upgrading known, large-scale precious metal occurrences in established mining camps, defining their economic potential and then partnering them with nearby producers.



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Highlights from Q2 – October 1, 2013 to December 31, 2013

At our San Miguel Project in Mexico, results of metallurgical testing by McClelland Laboratories confirm the potential for an economic recovery process at two of San Miguel's open pits using inexpensive heap leach technologies. It is expected that there will be major reductions in costs and cut-off grades and a substantial increase in mineable material.

In November 2013, the Company resumed core drilling at the Don Ese zone at its San Miguel Project. Our main objectives of the current drill program are: 1) add resources at two new high priority exploration targets; 2) acquire further material for metallurgical testing of heap leach processing; and 3) upgrade inferred resources to measured and indicated.

In January 2014, subsequent to quarter end, the Company reported favorable gold recoveries from bio-oxidation testing on the sulfide material at the West Wood Zone at the Sleeper Gold Project. The resources at the West Wood Zone were not included in a previous Sleeper PEA due to poor recoveries from the heap leach operation proposed for Sleeper in the PEA.

Liquidity and Capital Resources

At December 31, 2013, we had cash and cash equivalents of \$6,899,680 compared to \$11,524,051 as at June 30, 2013. The decrease of \$4,624,371 was the result of the funding of our exploration programs and corporate overhead. At December 31, 2013, \$230,000 of the Company's cash and cash equivalents was held in Mexico and Canada by its wholly owned subsidiaries. These amounts are not required to fund the Company's U.S. operations.

At December 31, 2013, we had a net working capital of \$9,151,762. We anticipate our cash expenditures to fund exploration programs and general corporate expenses to be approximately \$0.85 million per month for three month period ending March 31, 2014. Anticipated cash outlays will be funded by our available cash reserves.

At December 31, 2013, the amounts receivable amount of \$1,326,277 primarily consisted of value added tax due from the Mexican government.

During the six months ended December 31, 2013, we sold marketable securities and received \$450,000. This was offset by our investment in a junior exploration company in the amount of \$499,950.

Historically, we have funded our exploration and development activities through equity financing arrangements. We continue to assess our needs for additional capital to ensure sufficient financial resources are available to fund our exploration and working capital needs. We believe that our access to additional capital, together with our existing cash resources will be sufficient to meet our needs for the next twelve months. If, however, we are unable to obtain additional capital or financing, our exploration and development activities will be significantly affected.

Comparison of Operating Results for the six month period ended December 31, 2013 as to the six month period ended December 31, 2012

Net Loss

Our net loss before other items for the six month period ended December 31, 2013 was \$4,491,217 compared to a loss of \$1,183,474 in the comparable period in the prior year. The increase in net loss of approximately 279% is comprised of a reduction in total expenses of approximately \$4.1 million and a reduction in gain on sale of mineral property of approximately \$7.4 million from the prior year six month period. We will continue to incur losses for the foreseeable future as we continue with our planned explorations programs at both projects.



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## Expenses

Our level of exploration expenditures for the six month period ended December 31, 2013 decreased 55% or by \$3,709,553 from the comparable prior year period. This reduction was mainly a reduction in drilling activity at both the San Miguel Project and the Sleeper Gold Project.

The following table summarizes our drilling activities at both projects for the six month period ended December 31, 2013 and 2012:

|                            | Six month<br>period ended<br>December 31,<br>2013 |        | Six month<br>period ended<br>December 31,<br>2012 |        |
|----------------------------|---|--------|---|--------|
|                            | Cumulative<br>Length in<br>Holes                  |        | Cumulative<br>Length in<br>Holes                  |        |
|                            | Feet  |        | Feet  |        |
| San Miguel Project, Mexico | 9   | 13,061 | 21  | 28,713 |
| Sleeper Gold Project, USA  | -   | -      | 27  | 29,273 |
| Total                      | 9   | 13,061 | 48  | 57,986 |

Our general corporate expenses which include professional fees, corporate communications, consulting fees and office and administration totaled \$901,120 for the six month period ended December 31, 2012. This is a 42% decrease over the comparable six month period in the 2012. The decrease was mainly due management bonuses paid in the prior period and not paid in the current period.

Comparison of Operating Results for the three month period ended December 31, 2013 to the three month period ended December 31, 2012.

## Net Loss

Our net loss before other items for the three month period ended December 31, 2013 was \$2,526,290 compared to a gain of \$3,143,869 in the comparable period in the prior year. The increase in net loss of \$5,670,159 is comprised of a reduction in a gain on sale of mineral property of approximately \$7.4 million and a reduction in total expenses of \$1.7 million. We will continue to incur losses for the foreseeable future as we continue with our planned explorations programs at both projects.

## Expenses

Our exploration expenses for the three month period ended December 31, 2013 compared to the comparable prior period decreased by 44% or by \$1,449,340. This decrease was driven by a reduction in drilling activity at both our Sleeper Gold Project and our San Miguel Project.

The following table summarizes our drilling activities at both projects for the three month period ended December 31, 2013 and 2012:

|  | Three month<br>period ended<br>December 31,<br>2013 |      | Three month<br>period ended<br>December 31,<br>2012 |      |
|--|---|------|---|------|
|  | Cumulative  |      | Cumulative  |      |
|  | Holes   | Feet | Holes   | Feet |

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|                            |   | Length in<br>Feet |    | Length in<br>Feet |
|----------------------------|---|-------------------|----|-------------------|
| San Miguel Project, Mexico | 9 | 13,061            | 4  | 9,299             |
| Sleeper Gold Project, USA  | - | -                 | 13 | 12,916            |
| Total                      | 9 | 13,061            | 17 | 22,215            |

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Our general corporate expenses which include professional fees, corporate communications, consulting fees and office and administration totaled \$418,555 for the three month period ended December 31, 2013. This is a 27% decrease over the comparable three month period in the 2012 and was due to management bonuses paid in the prior period and not paid in the current period.

### Critical Accounting Policies

Management considers the following policies to be most critical in understanding the judgments that are involved in preparing the Company's consolidated financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows. Our financial statements are affected by the accounting policies used and the estimates and assumptions made by management during their preparation. Management believes the Company's critical accounting policies are those related to mineral property acquisition costs, exploration and development cost, stock based compensation, derivative accounting and foreign currency translation.

#### Estimates

The Company prepares its consolidated financial statements and notes in conformity to U.S. GAAP and requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. 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.

#### Mineral property acquisition costs

The Company capitalizes the cost of acquiring mineral properties and will amortize these costs over the useful life of a property following the commencement of production or expense if it is determined that the mineral property has no future economic value or the properties are sold or abandoned. Costs include cash consideration and the fair market value of shares issued on the acquisition of mineral properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts of the specific mineral property at the time the payments are made.

The amounts recorded as mineral properties reflect actual costs incurred to acquire the properties and do not indicate any present or future value of economically recoverable reserves.

#### Exploration expenses

The company expenses exploration costs as incurred. When it is determined that precious metal resource deposit can be economically and legally extracted or produced based on established proven and probable reserves, further exploration expenses related to such reserves incurred after such a determination will be capitalized. To date, the Company has not established any proven or probable reserves and will continue to expense exploration expenses as incurred.

#### Foreign Currency Translation

The functional currency of the Company is the U.S. dollar. Transactions involving foreign currencies for items included in operations are translated into U.S. dollars using the exchange rate prevailing at the date of transaction and monetary assets and liabilities are translated at the exchange rate prevailing at the consolidated balance sheet date and

all other consolidated balance sheet items are translated at historical rates applicable to the transactions that comprise the amounts. Translation gains and losses are included in the determination of other comprehensive loss and gains in the Statement of Operations.

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Reclassification

Certain comparative figures have been reclassified to conform to the current quarter presentation.

Off-Balance Sheet Arrangements

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

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PART II. OTHER INFORMATION

Item 6. Exhibits

| Exhibit<br>Number | Description   |
|-------------------|---|
| 3.1               | Certificate of Incorporation, effective March 31, 2005, incorporated by reference to Exhibit 3.1 to Form 10-SB filed November 2, 2005                           |
| 3.2               | Certificate of Amendment to Certificate of Incorporation, effective August 23, 2007, incorporated by reference to Exhibit 3 to Form 8-K filed August 28, 2007   |
| 3.2(b)            | Certificate of Amendment to Certificate of Incorporation, effective March 3, 2009, incorporated by reference to Exhibit 3.1 to Form 8-K filed February 26, 2009 |
| 3.3               | Restated Bylaws, effective April 18, 2005   |
| 4.1               | Registration Rights Agreement, dated March 30, 2007, incorporated by reference to Exhibit 10.2 to Form 8-K filed April 6, 2007                                  |
| 4.2               | Form of Investor Warrant, incorporated by reference to Exhibit 10.3 to Form 8-K filed April 6, 2007   |
| <u>31.1*</u>      | Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)  |
| <u>31.2*</u>      | Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)   |
| <u>32.1*</u>      | Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)   |
| <u>32.2*</u>      | Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)   |



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SIGNATURES

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

PARAMOUNT GOLD AND  
SILVER CORP.

Date: March 25, 2014 By: /s/ CHRISTOPHER CRUPI  
Christopher Crupi  
Chief Executive Officer

Date: March 25, 2014 /s/ CARLO BUFFONE  
Carlo Buffone  
Chief Financial Officer