

PARAMOUNT GOLD & SILVER CORP.  
Form PRE 14A  
November 13, 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       ii

Filed by Party other than Registrant     

Check the appropriate box:

ii Preliminary Proxy Statement

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Only (as permitted by  
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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):

ii No fee required.

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- (1) Title of each class of securities to which transaction applies:
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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, Suite 100**

**Ottawa, Ontario Canada K2P 0W5**

**613-226-9881**

\_\_\_\_\_, 2009

Dear Stockholders:

We are holding an annual meeting (the Meeting ) of our stockholders to vote on routine proposals including the election of directors and appointment of auditors. The Meeting will be held on 1, 2009, at 1.m., local time, at 1. Notice of the Meeting, the related proxy statement and our Annual Report to Stockholders for the fiscal year ended June 30, 2009 are enclosed. More information about the Meeting, the Transaction and the other business to be considered by Paramount stockholders is contained in this proxy statement. **We encourage you to read this proxy statement carefully and in its entirety before voting.**

Whether or not you plan to attend the Meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope. Stockholders who attend the Meeting may revoke their proxies and vote in person.

**The Board unanimously recommends that you vote FOR the proposals described in the attached proxy statement.**

We look forward to seeing you at the Meeting.

Very truly yours,

Christopher Crupi

President

**PARAMOUNT GOLD AND SILVER CORP.**

**346 Waverley Street, Suite 100**

**Ottawa, Ontario Canada K2P 0W5**

**613-226-9881**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

An annual meeting (the Meeting) of Stockholders of Paramount Gold and Silver Corp., a Delaware corporation (Paramount), will be held on 1, 2009, at 1.00 p.m., local time, at 1, to consider and vote on the proposals listed below and to transact such other business as may properly come before the Meeting or any adjournment or postponement of the Meeting:

1.

**Election of Directors.** To elect the following seven members of the Board of Directors of Paramount (the Board) to serve until the 2011 annual meeting of stockholders or until their successors are elected and qualified or their earlier death, resignation or removal: Christopher Crupi, Michel Yvan Stinglhamber, John Carden, Robert Dinning, Christopher Reynolds, Rudi P. Fronk and Eliseo Gonzalez-Urien;

2.

**Ratification of Independent Auditors.** To ratify the appointment of HLB Cinnamon Jang Willoughby & Company as Paramount's independent certified public accountants for the fiscal year ending June 30, 2010; and

3.

**Other Business.** To consider and act upon such other business and matters or proposals as may properly come before the Meeting or any adjournments or postponements thereof.

The close of business on November 19, 2009 has been fixed as the record date for determining those Paramount stockholders entitled to notice of, and to vote at, the Meeting. Accordingly, only stockholders of record at the close of business on that date will receive this notice of, and be eligible to vote at, the Meeting or any adjournments or postponements of the Meeting. Each of the items of business listed above is more fully described in the proxy statement that accompanies this notice.

The presence, in person or by proxy, of the holders of one-third of the voting power of the common stock of Paramount entitled to vote at the Meeting shall constitute a quorum for the transaction of business. Approval of the various proposals to be voted upon at the Meeting may require different votes:

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The seven directors identified in **Proposal No. 1** will be elected upon a plurality of the votes of the shares present in person or represented by proxy at the Meeting and entitled to vote on 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.

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Approval of **Proposal No. 2** relating to ratification of the appointment of Paramount's independent certified public accountants requires the affirmative vote of the majority of shares present in person or represented by proxy at the Meeting and entitled to vote.

As of the close of business on the record date for the Meeting, the directors and executive officers of Paramount, collectively, beneficially owned approximately 7,985,703 shares of Paramount common stock, inclusive of shares subject to stock options that may be exercised within 60 days following that date. Such shares represented approximately 7.87% of the total Paramount voting power as of such date.

**Your vote is very important.** Please read the proxy statement and the instructions on the enclosed proxy card and then, whether or not you expect to attend the Meeting in person, and no matter how many shares you own, please vote your shares as promptly as possible in accordance with the instructions on the enclosed proxy card. Submitting a proxy now will help assure a quorum and avoid added proxy solicitation costs. It will not prevent you from voting in person at the Meeting.

**The Board unanimously recommends that you vote FOR the election of each of the director nominees, and FOR ratification of the appointment of Paramount's independent certified public accountants.**

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**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,

Christopher Crupi, CEO

1, 2009

**Neither the U.S. Securities and Exchange Commission nor any state, provincial or territorial securities regulatory agency or authority has passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.**

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**PARAMOUNT GOLD AND SILVER CORP.**

**346 Waverley Street, Suite 100**

**Ottawa, Ontario Canada K2P 0W5**

**613-226-9881**

**INTRODUCTION TO PROXY STATEMENT**

This proxy statement and the accompanying form of proxy are being furnished to stockholders of Paramount Gold and Silver Corp., a Delaware corporation ( "Paramount" ) in connection with the solicitation of proxies by the Board of Directors of Paramount (the "Board" ) for use at the annual meeting (the "Meeting" ) of our stockholders to be held on 1, 2009, at 1.m., local time, at 1.

You are being asked to vote for the election of each of the director nominees, and for a proposal to ratify the appointment of HLB Cinnamon Jang Willoughby & Company as Paramount's independent certified public accountants for the fiscal year ending June 30, 2010.

**Important Note**

In deciding how to vote on the matters described in this proxy statement, you should rely only on the information contained in this proxy statement and the annexes attached hereto. Paramount has not authorized any person to provide you with any information that is different from what is contained in this proxy statement.

The information contained in this proxy statement speaks only as of the date on which this proxy statement was filed unless the information specifically indicates that another date applies. This proxy statement is dated 1, 2009, and is first being mailed to Paramount stockholders on or about 1, 2009.

If you have any questions about the matters described in this proxy statement, you may contact Paramount Gold and Silver Corp., 346 Waverley Street, Suite 100, Ottawa, Ontario, Canada K2P 0W5, Attn: Christopher Crupi.

**Important Notice Regarding the Availability of Proxy Material for the Meeting to Be Held on 1, 2009**

The Notice of Annual Meeting of Stockholders, this Proxy Statement and the 2009 Annual Report to Stockholders are available on the Internet at the following website: [www.paramountgold.com](http://www.paramountgold.com).

**Directions to the Meeting**

To obtain directions to attend the Annual Meeting and vote in person, please contact Paramount's corporate offices located at 346 Waverley Street, Suite 100, Ottawa, Ontario, Canada K2P 0W5, Attn: Christopher Crupi. (Phone No. 613-226-9881).

**Currency**

The functional currency of Paramount is the U.S. dollar. Unless otherwise specified, all references to dollars, \$, or US\$ shall mean United States dollars.

**Required Vote of Paramount's Stockholders**

The seven directors identified in **Proposal No. 1** will be elected upon a plurality of the votes of the shares present in person or represented by proxy at the Meeting and entitled to vote on 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.

Approval of **Proposal No. 2** relating to ratification of the appointment of Paramount's independent certified public accountants requires the affirmative vote of the majority of shares present in person or represented by proxy at the Meeting and entitled to vote.

#### **Paramount's Board Recommendation**

Paramount's Board of Directors unanimously recommends that Paramount's stockholders vote **FOR** each of the Proposals.

### **Record date for Paramount s Stockholders**

You are entitled to vote at the meeting if you owned shares of Paramount common stock at the close of business on November 19, 2009 (the Record Date ).

### **Paramount Voting Information**

You will have one vote for each share of Paramount common stock that you owned at the close of business on the Record Date. If your shares are held in street name by a broker, you will need to provide your broker with instructions on how to vote your shares. Before voting your shares of Paramount common stock you should read this proxy statement in its entirety, including its annexes, and carefully consider how each Proposal may affect you. Then, mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the Meeting. For more information on how to vote your shares, please refer to *The Meeting of Paramount Stockholders* beginning on page 18.

### **Additional Information**

You can find more information about Paramount in the periodic reports and other information Paramount files with the Securities and Exchange Commission (the SEC ) at the SEC s public reference facilities and at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Paramount also make public filings with applicable Canadian securities regulators, available to the public free of charge on the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators ( SEDAR ) at [www.sedar.com](http://www.sedar.com). For a more detailed description of the additional information available, see the section entitled *Where Stockholders Can Find More Information About Paramount* beginning on page 81.

## QUESTIONS AND ANSWERS ABOUT THE MEETING

The following questions and answers are for your convenience only, and briefly address some commonly asked questions about the Proposals and the Meeting. You should still carefully read this entire proxy statement, including the attached Annexes.

### **The Meeting; Voting Your Shares**

#### **Q: Why am I receiving this proxy statement?**

**A:** You are receiving this proxy statement and enclosed proxy card because, as of November 19, 2009, the **Record Date** for the Meeting, you owned shares of Paramount common stock. Only holders of record of shares of Paramount common stock as of the close of business on November 19, 2009 will be entitled to vote those shares at the Meeting. The Board is providing these proxy materials to give you information to determine how to vote in connection with the Meeting.

This proxy statement describes the issues on which Paramount would like you, as a stockholder, to vote. It also provides you with important information about these issues to enable you to make an informed decision as to whether to vote your shares of Paramount common stock for the matters described herein.

Paramount is holding the Meeting to obtain the stockholder approval necessary to approve the Proposals. We have included in this proxy statement important information about the Meeting. You should read this information carefully and in its entirety..

Your vote is very important and we encourage you to complete, sign, date and mail your proxy card, as soon as possible, whether or not you plan to attend the Meeting. Stockholders who attend the Meeting may revoke their proxies and vote in person. This proxy statement describes the issues on which we would like you, as a stockholder, to vote.

#### **Q: When and where is the Meeting?**

**A:** The Meeting will be held will be held on 1, 2009, at 1.m., local time, at 1.

#### **Q: Who is eligible to attend the Meeting and vote?**

**A:** Stockholders of record at the close of business on November 19, 2009 are entitled to attend and vote at the Meeting.

#### **Q: How many votes do I have?**

**A:** Stockholders who own Paramount common stock at the close of business November 19, 2009 are entitled to one vote for each share of common stock they held on that date in all matters properly brought before the Meeting. As of October 31, 2009 there were 101,423,650 shares of common stock issued and outstanding.

#### **Q: What proposals will be addressed at the Meeting?**

**A:** We will address the following proposals at the Meeting:

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a proposal to elect director nominees to the Board; and

a proposal to ratify the appointment of HLB Cinnamon Jang Willoughby & Company as Paramount's independent certified public accountants for the fiscal year ending June 30, 2010;

**Q: What vote is required to approve the proposals?**

**A: The following votes are required:**

The seven directors identified in **Proposal No. 1** will be elected upon a plurality of the votes of the shares present in person or represented by proxy at the Meeting and entitled to vote on 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.

Approval of **Proposal No. 2** relating to ratification of the appointment of Paramount's independent certified public accountants requires the affirmative vote of the majority of shares present in person or represented by proxy at the Meeting and entitled to vote.

**Q: Why would the Meeting be adjourned or postponed?**

**A:** The Meeting will be adjourned or postponed if a quorum is not present on the date of the 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 Meeting may be postponed to a later date when a quorum is obtained. For purposes of determining whether the stockholders 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. If a stockholder's shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote in person at the Meeting, the stockholder must contact his or her broker or bank and obtain from the record holder a legal proxy issued in the stockholder's name. Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. Absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters. (No such matters are being voted upon at this meeting.), Proxies submitted without a vote by brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Meeting.

**Q: How do I vote in person?**

**A:** If you plan to attend on the date of the Meeting, or at a later date if it is postponed or adjourned, and vote in person, Paramount 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 in person.

**Q: How do I vote by proxy?**

**A:** Returning the proxy card will not affect your right to attend the 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 the Board as follows:

**FOR** the election of all director nominees; and

**FOR** the ratification of the appointment of HLB Cinnamon Jang Willoughby & Company as Paramount's independent certified public accountants for the fiscal year ending June 30, 2010;

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, Paramount knew of no matters that needed to be acted on at the Meeting other than those discussed in this proxy statement.

**Q: May I revoke my proxy?**

**A:** 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 Paramount in writing (by you or your attorney authorized in writing, or if the stockholder is a corporation, under its corporate seal, by an officer or attorney of the corporation) at its principal executive offices before the Meeting, that you are revoking your proxy.

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You may vote in person at the Meeting.



**Q: How are votes counted?**

**A:** Votes will be counted by the inspector of election appointed for the Meeting, who will separately count FOR and AGAINST votes, abstentions and broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not receive instructions with respect to the proposals from the beneficial owner.

**Q: What happens if I do not vote?**

**A:** The presence, in person or by proxy, of one-third of the votes entitled to be cast on the matter by a voting group is necessary to constitute a quorum at the Meeting. For purposes of determining whether the stockholders 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 stockholders have approved that matter, but they are counted as present for the purposes of determining the existence of a quorum at the Meeting.

**Q: What happens if I sell my shares of Paramount common stock before the Meeting?**

**A:** The Record Date for stockholders entitled to vote at the Meeting is earlier than the expected date of completion of the Transaction. If you transfer your shares of Paramount common stock after the Record Date but before the Meeting you will, unless special arrangements are made, retain your right to vote at the Meeting.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

**A:** If a stockholder's shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote in person at the Meeting, the stockholder must contact his or her broker or bank and obtain from the record holder a legal proxy issued in the stockholder's name. Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. Absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters. Proxies submitted without a vote by brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Meeting.

**Q: Will my shares held in street name or another form of record ownership be combined for voting purposes with shares I hold of record?**

**A:** No. Because any shares you may hold in street name will be deemed to be held by a different stockholder than any shares you hold of record, any shares so held will not be combined for voting purposes with shares you hold of record. Similarly, if you own shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares because they are held in a different form of record ownership. Shares held by a corporation or business entity must be voted by an authorized officer of the entity. Shares held in an IRA must be voted under the rules governing the account.

**Q: What does it mean if I receive more than one set of materials?**

**A:** This means you own shares of Paramount common stock that are registered under different names. For example, you may own some shares directly as a stockholder of record and other shares through a broker or you may own shares through more than one broker. In these situations, you will receive multiple sets of proxy materials. You must vote, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the proxy cards that you receive in order to vote all of the shares you own. Each proxy card you receive comes with its

own prepaid return envelope. If you vote by mail, make sure you return each proxy card in the return envelope that accompanies that proxy card.

**Q: What if I fail to instruct my broker?**

**A:** As described above, brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. Absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters. Proxies submitted without a vote by brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Meeting.

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

**A:** The Board has not proposed any action for which the laws of the State of Delaware, or Paramount's Certificate of Incorporation or Bylaws provide a right of a stockholder to dissent and obtain payment for shares.

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

**A:** Paramount will bear the cost of soliciting proxies and will reimburse brokerage firms and others for expenses involved in forwarding proxy materials to beneficial owners or soliciting their execution. Paramount estimates that the costs associated with solicitations of the proxies requested by this proxy statement will be approximately \$25,000.

**Q: Where can I find more information about Paramount?**

**A:** Paramount filed its 2009 annual report on Form 10-K with the SEC on September 28, 2009. That report, 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 stockholders upon written request. All written requests should be directed to: Christopher Crupi, Paramount Gold and Silver Corp. 346 Waverley Street, Suite 100, Ottawa, Ontario Canada K2P 0W5.

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), which requires that Paramount 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, Paramount's 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. Paramount's filings with the applicable Canadian securities regulators are available on the System for Electronic Document Analysis and Retrieval (SEDAR), and may be viewed at the following website address: [www.sedar.com](http://www.sedar.com).

**Q: Where are Paramount's principal executive offices?**

**A:** Our principal executive offices are located at 346 Waverley Street, Suite 100, Ottawa, Ontario Canada K2P 0W5. Our telephone number is (613) 226-9881.

**Q: Who can help answer my questions?**

**A:** If you have questions about the Transaction and the Meeting, including the procedures for voting your shares, you should contact Paramount Gold and Silver Corp., 346 Waverley Street, Suite 100, Ottawa, Ontario, Canada K2P 0W5, (613) 226-9881, Attn: Christopher Crupi.



## CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement contains numerous forward-looking statements. Statements in this proxy statement regarding beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable securities laws. Any statements that are not statements of historical fact (including statements containing the words believes, plans, anticipates, expects, estimates or the negative of and similar expressions should also be considered to be forward-looking statements. These statements by their nature involve substantial risks and uncertainties, credit losses, dependence on management and key personnel, variability of quarterly results, and our ability to continue growth. Other matters such as our growth strategy and competition 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. All subsequent written and oral forward-looking statements attributable to Paramount or persons acting on Paramount's behalf are expressly qualified in their entirety by the cautionary statements contained throughout this proxy statement.

## CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESERVE AND RESOURCE ESTIMATES

The mineral estimates in this proxy statement have been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms mineral reserve, proven mineral reserve and probable mineral reserve are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum (the CIM) - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in United States Securities and Exchange Commission (SEC) Industry Guide 7 under the United States Securities Act of 1933, as amended (the Securities Act). Under SEC Industry Guide 7 standards, a final or bankable feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms mineral resource, measured mineral resource, indicated mineral resource and inferred mineral resource are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Inferred mineral resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of contained ounces in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute reserves by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this proxy statement and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder.

**CONVERSION FACTORS AND ABBREVIATIONS**

For ease of reference, the following conversion factors are provided:

1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometers
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per metric ton	= 0.0292 troy ounce/short ton	1 square mile	= 2.59 square kilometers
1 short ton (2000 pounds)	= 0.9072 ton	1 square kilometer	= 100 hectares
1 ton	= 1,000 kg or 2,204.6 lbs	1 kilogram	= 2.204 pounds or 32.151 troy oz
1 hectare	= 10,000 square meters	1 hectare	= 2.471 acres

The following abbreviations may be used herein:

Au	= gold	m <sup>2</sup>	= square meter
G	= gram	m <sup>3</sup>	= cubic meter
g/t	= grams per ton	Mg	= milligram
Ha	= hectare	mg/m <sup>3</sup>	= milligrams per cubic meter
Km	= kilometer	T or t	= ton
Km <sup>2</sup>	= square kilometers	Oz	= troy ounce
Kg	= kilogram	Ppb	= parts per billion
M	= meter	Ma	= million years

**Note:** All units in this report are stated in metric measurements unless otherwise noted.

**GLOSSARY OF MINING TERMS**

We estimate and report our resources and we will estimate and report our reserves according to the definitions set forth in NI 43-101. We will modify and reconcile the reserves as appropriate to conform to SEC Industry Guide 7 for reporting in the U.S. The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the parallels and differences.

**NI 43-101 Definitions****indicated mineral resource**

The term **indicated mineral resource** refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be established with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

**inferred mineral resource**

The term **inferred mineral resource** refers to that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified,

geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

**measured mineral resource**

The term measured mineral resource refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.



**mineral reserve**

The term **mineral reserve** refers to the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that might occur when the material is mined.

**mineral resource**

The term **mineral resource** refers to a concentration or occurrence of natural solid inorganic material or natural solid fossilized organic material including base and precious metals, coal and industrial metals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

**NI 43-101 Definitions**

**probable mineral reserve**

The term **probable mineral reserve** refers to the economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

**proven mineral reserve (1)**

The term **proven mineral reserve** refers to the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

**qualified person (2)**

The term **qualified person** refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development, production activities and project assessment, or any combination thereof, including experience relevant to the subject matter of the mineral project or technical report and is a member or licensee in good standing of a professional association.

**SEC Industry Guide 7 Definitions**

**Exploration stage**

An **exploration stage** prospect is one which is not in either the development or production stage.

**development stage**

A **development stage** project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.

**Mineralized material (3)**

The term mineralized material refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.

(1)

For SEC Industry Guide 7 purposes this study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

(2)

SEC Industry Guide 7 does not require designation of a qualified person.

(3)

This category is substantially equivalent to the combined categories of measured and indicated mineral resources specified in NI 43-101.

**probable reserve**

The term **probable reserve** refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

**production stage**

A **production stage** project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

**SEC Industry Guide 7 Definitions**

**proven reserve**

The term **proven reserve** refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

**Reserve**

The term **reserve** refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. ( **Bankable standards** implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.

**Additional Definitions**

**alteration** - any change in the mineral composition of a rock brought about by physical or chemical means

**assay** - a measure of the valuable mineral content

**diamond drilling** - rotary drilling using diamond-set or diamond-impregnated bits, to produce a solid continuous core of rock sample

**dip** - the angle that a structural surface, a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure

**disseminated** - where minerals occur as scattered particles in the rock

**fault** - a surface or zone of rock fracture along which there has been displacement

**feasibility study** - a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

**formation** - a distinct layer of sedimentary rock of similar composition

**geochemistry** - the study of the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water, and the atmosphere

**geophysics** - the study of the mechanical, electrical and magnetic properties of the earth's crust

**geophysical surveys** - a survey method used primarily in the mining industry as an exploration tool, applying the methods of physics and engineering to the earth's surface

**geotechnical** - the study of ground stability

**grade** - quantity of metal per unit weight of host rock

**heap leach** - a mineral processing method involving the crushing and stacking of an ore on an impermeable liner upon which solutions are sprayed to dissolve metals i.e. gold, copper etc.; the solutions containing the metals are then collected and treated to recover the metals

**host rock** - the rock in which a mineral or an ore body may be contained

**in-situ** - in its natural position

**lithology** - the character of the rock described in terms of its structure, color, mineral composition, grain size and arrangement of its component parts, all those visible features that in the aggregate impart individuality to the rock

**mapped or geological mapping** - the recording of geologic information including rock units and the occurrence of structural features, and mineral deposits on maps

**mineral** - a naturally occurring inorganic crystalline material having a definite chemical composition

**mineralization** - a natural accumulation or concentration in rocks or soil of one or more potentially economic minerals, also the process by which minerals are introduced or concentrated in a rock

**National Instrument 43-101 or NI 43-101** - standards of disclosure for mineral projects prescribed by the Canadian Securities Administrators

**outcrop** - that part of a geologic formation or structure that appears at the surface of the earth

**open pit or open cut** - surface mining in which the ore is extracted from a pit or quarry, the geometry of the pit may vary with the characteristics of the ore body

**ore** - mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions

**ore body** - a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable

**ore grade** - the average weight of the valuable metal or mineral contained in a specific weight of ore i.e. grams per ton of ore

**oxide** - gold bearing ore which results from the oxidation of near surface sulfide ore

**preliminary assessment** - a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study

**QA/QC** - Quality Assurance/Quality Control is the process of controlling and assuring data quality for assays and other exploration and mining data

**quartz** - a mineral composed of silicon dioxide, SiO<sub>2</sub> (silica)

**RC (reverse circulation) drilling** - a drilling method using a tri-cone bit, during which rock cuttings are pushed from the bottom of the drill hole to the surface through an outer tube, by liquid and/or air pressure moving through an inner tube

**rock** - indurated naturally occurring mineral matter of various compositions

**sampling and analytical variance/precision** - an estimate of the total error induced by sampling, sample preparation and analysis

**sediment** - particles transported by water, wind or ice

**sedimentary rock** - rock formed at the earth's surface from solid particles, whether mineral or organic, which have been moved from their position of origin and re-deposited

**strike** - the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal

**strip** - to remove overburden in order to expose ore

**sulfide** - a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing mineral often associated with gold mineralization

## **RISK FACTORS**

*You should carefully consider the following risk factors related to the operations of Paramount, as well as the other information contained in this proxy statement, including the attached annexes, in evaluating whether to approve the Proposals.*

### **Risks Related to our Business Operations**

*It is possible investors may lose their entire investment in Paramount.*

Prospective investors should be aware that if we are not successful in our endeavors, your entire investment in the Company could become worthless. Even if we are 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 may require additional financing.*

We recently completed a \$23 million financing (approximately \$21.7 million net). These funds will allow us to further develop the San Miguel project and to look for other precious metal opportunities. While we believe that these funds will be adequate to meet our budgeted expenses, there can be no assurance that we will not need additional working capital. 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 may not be able to continue our drilling program or pursue new mineral projects.

*There are no confirmed mineral deposits on any properties from 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 projects. 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.

***We have 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 U.S. 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 resources are subject to uncertainty.***

Estimates of resources 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.

***If we are unable to obtain all of our required governmental permits, our operations could be negatively impacted.***

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.

***Our financial position and results are subject to fluctuations in foreign currency values.***

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. In addition, with respect to commercial operations in Mexico or other countries, it is possible that material transactions incurred in local currency, such as engagement of local contractors for major projects, will be settled at a U.S. dollar value that is different from the U.S. dollar value of the transaction at the time it was incurred. This could have the effect of undermining profits from operations in that country.

***Our property interests in Mexico are subject to risks from instability in that country.***

We have property interests in Mexico which may be affected by risks associated with political or economic instability in that country. The risks with respect to Mexico or other developing countries include, but are not limited to: military repression, extreme fluctuations in currency exchange rates, criminal activity, lack of personal safety or ability to safeguard property, labor instability or militancy, mineral title irregularities and high rates of inflation. We do not believe that we will face these risks for any activities we undertake in Canada.

In addition, changes in mining or investment policies or shifts in political attitude in Mexico or Canada may adversely affect our business. We may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted but may adversely impact our proposed operations in any foreign jurisdiction.

***There may be challenges to our title in our mining properties.***

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 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 periods 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 deals with 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 or dealings with these agencies. 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. Environmental legislation is evolving in some countries or jurisdictions in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our projects. We are currently subject to U.S. federal and state government environmental regulations with respect to our properties in the United States. We are also currently subject to environmental regulations with respect to our properties in Mexico and Canada.

***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 rely on independent analysis to analyze our drilling results and planned exploration activities.***

We rely on independent geologists to analyze our drilling results and to prepare resource reports on several of our mining concessions. While these geologists rely on standards established by the Canadian Institute of Mining, Metallurgy and Petroleum, Standards on Mineral Resources and Mineral Reserves and other standards established by various licensing bodies, there can be no assurance that their estimates or results will be accurate. Analyzing drilling results and estimating reserves or targeted drilling sites is not a certainty. Miscalculations and unanticipated drilling results may cause the geologists to alter their estimates. If this should happen, we would have devoted resources to areas where resources could have been better allocated.

### **Risks Related to Our Common Stock**

The following risks are currently applicable to Paramount.

***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