

PARAMOUNT GOLD & SILVER CORP.
Form 10-Q
February 09, 2012

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

FORM 10-Q

(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, 2011

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

For the transition period from _____ to _____

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

Delaware
(State or Other Jurisdiction
of Incorporation)

0-51600
(Commission
File Number)

20-3690109
(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

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(§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: 136,887,012 shares of Common Stock, \$.001 par value as of January 31, 2012.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2011 contains “forward-looking statements”. Generally, the words “believes”, “anticipates,” “may,” “will,” “should,” “expect,” “intend,” “estimate,” “continue,” and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements which include, but are not limited to, statements concerning the Company’s expectations regarding its working capital requirements, financing requirements, business prospects, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such statements are subject to certain risks and uncertainties, including the matters set forth in this Quarterly Report or other reports or documents the Company files with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected.

These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, economic, political and market conditions and fluctuations, the prevailing market price for gold and silver, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein.

Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

OTHER PERTINENT INFORMATION

When used in this report, the terms "Paramount," the "Company," "we," "our," and "us" refers to Paramount Gold and Silver Corp., a Delaware corporation.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Financial Statements

(Unaudited)

Period ended December 31, 2011 and 2010

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Balance Sheets

As at December 31, 2011(Unaudited) and June 30, 2011 (Audited)

(Expressed in United States dollars, unless otherwise stated)

	As at December 31, 2011 (Unaudited)	As at June 30, 2011 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,234,561	\$ 14,689,241
Amounts receivable	1,277,880	1,625,724
Prepaid and deposits	354,854	34,252
Prepaid insurance, current portion (Note 11)	245,215	245,215
Marketable securities (Note 3)	162,172	319,219
Total Current Assets	9,274,682	16,913,651
Non-Current Assets		
Mineral properties (Note 8)	50,579,859	49,515,859
Fixed assets (Note 9)	465,610	487,740
Prepaid insurance, non current portion (Note 11)	490,428	613,035
Reclamation bond (Note 11)	2,746,998	2,765,742
Total Non-Current Assets	54,282,895	53,382,376
Total Assets	\$ 63,557,577	\$ 70,296,027
Liabilities and Shareholders' Equity		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,200,368	\$ 769,172
Warrant Liability (Note 4)	9,626,541	16,914,660
Total Current Liabilities	10,826,909	17,683,832
Non-Current Liabilities		
Reclamation and Environmental Obligation (Note 11)	1,198,205	1,143,892
Total Liabilities	\$ 12,025,114	18,827,724
Shareholders' Equity		
Capital stock (Note 6)	136,887	136,249
Additional paid in capital	131,109,089	129,664,660
Contributed surplus	11,389,431	11,287,242
Deficit accumulated during the exploration stage	(90,920,552)	(89,637,633)
Accumulated other comprehensive income	(182,392)	17,785
Total Shareholders' Equity	51,532,463	51,468,303

Total Liabilities and Shareholders' Equity	\$ 63,557,577	\$ 70,296,027
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Subsequent Events (Note 12)

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

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

For the Six Month Period Ended December 31, 2011 and 2010

(Expressed in United States dollars, unless otherwise stated)

	For the Three Month Period Ended December 31, 2011	For the Six Month Period Ended December 31, 2011	For the Three Month Period Ended December 31, 2010	For the Six Month Period Ended December 31, 2010	Cumulative Since Inception to December 31, 2011
Revenue					
Interest Income	\$ (3,702)	\$ 16,940	\$ 25,416	\$ 46,352	\$ 1,153,772
Other Income	48,130	73,130	178,230	178,230	253,963
Total Revenue	\$ 44,428	\$ 90,070	\$ 203,646	\$ 224,582	\$ 1,407,735
Expenses:					
Incorporation Costs	-	-	-	-	1,773
Exploration	2,825,916	6,804,255	1,910,603	3,712,858	38,586,291
Professional Fees	300,562	608,928	468,328	636,064	8,114,851
Directors Compensation	155,280	223,769	142,181	192,727	1,178,147
Travel & Lodging	63,521	108,853	62,872	118,155	1,371,099
Corporate Communications	129,407	167,444	54,379	81,424	3,544,851
Consulting Fees	176,530	256,630	171,258	245,625	14,526,240
Office & Administration	124,113	210,397	142,207	222,831	2,900,020
Interest & Service Charges	1,660	4,435	3,185	6,016	113,922
Loss on disposal of Fixed Assets	-	-	-	-	44,669
Insurance	79,561	155,978	96,269	138,588	749,307
Depreciation	17,997	39,438	20,425	38,176	409,015
Accretion	38,426	76,852	35,210	49,464	196,736
Miscellaneous	-	-	-	-	203,097
Financing & Listing Fees	-	-	-	-	(22,024)
Acquisition Expenses	-	-	4,758	1,081,030	1,505,334
Income and other taxes	-	-	-	-	64,747
Write Down of Mineral Property	-	-	-	-	1,756,049
Total Expense	3,912,973	8,656,979	3,111,675	6,522,958	75,244,124
Net Loss before other items	\$ 3,868,545	\$ 8,566,909	\$ 2,908,029	\$ 6,298,376	\$ 73,836,389
Other items					
Change in fair value of Equity					
Conversion Right	-	-	77,183	179,955	990,236
Change in fair value of warrant liability	(1,715,732)	(7,288,119)	21,951,146	22,319,256	16,089,798
Loss on sale of Marketable Securities	-	4,129	-	-	4,129
Net Loss (Gain)	\$ 2,152,813	\$ 1,282,919	\$ 24,936,358	\$ 28,797,587	\$ 90,920,552
Other comprehensive loss					

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Foreign Currency Translation Adjustment	-	61,126	163,328	(271,779)	12,396
Unrealized loss on available for sale securities	42,679	139,051	-	-	169,996
Total Comprehensive Loss (Gain) for the Period	\$ 2,195,492	\$ 1,483,096	\$ 25,099,686	\$ 28,525,808	\$ 91,102,944
Loss (Gain) per Common share					
Basic	\$ 0.02	\$ 0.01	\$ 0.19	\$ 0.23	
Diluted	\$ 0.02	\$ 0.01	\$ 0.19	\$ 0.23	
Weighted Average Number of Common Shares Used in Per Share Calculations					
Basic	136,815,273	136,643,194	132,323,785	125,782,488	
Diluted	136,815,273	136,643,194	132,323,785	125,782,488	

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

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Cash Flows (Unaudited)

For the Six Month Period Ended December 31, 2011 and 2010

(Expressed in United States dollars, unless otherwise stated)

	For the Six Month Period Ended December 31, 2011	For the Six Month Period Ended December 31, 2010	Cumulative Since Inception to December 31, 2011
Net Gain (Loss)	\$ (1,282,919)	\$ (28,797,587)	\$ (90,920,552)
Adjustment for:			
Depreciation	39,438	38,176	409,016
Loss on disposal of assets	-	-	44,669
Stock based compensation	386,755	306,311	18,045,154
Accrued interest	-	-	(58,875)
Write-down of mineral properties	-	-	1,756,049
Accretion expense	76,852	49,464	196,736
Change in reclamation	(3,795)	(19,435)	59,797
Insurance expense	122,607	35,344	304,842
Other non cash transactions	4,128	-	3,229
Change in fair value of equity conversion right	-	179,955	990,236
Change in fair value of warrant liability	(7,288,119)	22,319,256	16,089,798
(Increase) Decrease in accounts receivable	347,844	(598,448)	(1,194,454)
(Increase) Decrease in prepaid expenses	(320,602)	(88,091)	(354,854)
Increase (Decrease) in accounts payable	431,196	569,225	(683,415)
Cash used in operating activities	\$ (7,486,615)	\$ (6,005,830)	\$ (55,312,624)
Sale (Purchase) of marketable securities	13,868	-	13,868
Purchase of GIC receivable	-	-	58,875
Notes receivable issued	-	243,495	21,365
Purchase of Equity conversion right	-	-	(1,337,700)
Purchase of Mineral Properties	(100,000)	(150,000)	(7,209,870)
Cash acquired on acquisition of X-Cal	-	-	843,101
Purchase of Equipment	(17,308)	(45,227)	(919,170)
Cash provided by (used in) investing activities	\$ (103,440)	\$ 48,268	\$ (8,529,531)
Demand notes payable issued	-	-	105,580
Issuance of capital Stock	196,501	1,437,450	71,028,480
Cash provided by financing activities	\$ 196,501	\$ 1,437,450	\$ 71,134,060
Effect of exchange rate changes on cash	(61,126)	271,780	(57,344)
Change in cash during period	(7,454,680)	(4,248,332)	7,234,561
Cash at beginning of period	14,689,241	21,380,505	-

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Cash at end of period	\$ 7,234,561	\$ 17,132,173	\$ 7,234,561
Supplemental Cash Flow Disclosure			
Interest Received	\$ 16,940	\$ 46,532	
Cash	\$ 2,353,438	\$ 2,721,217	
Short-term investments	\$ 4,881,123	\$ 14,410,956	

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

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PARAMOUNT GOLD AND SILVER CORP.

(An Exploration Stage Mining Company)

Consolidated Statements of Shareholders' Equity (Unaudited)

From inception to the Six Month Period Ended December 31, 2011

(Expressed in United States dollars, unless otherwise stated)

	Shares	Par Value	Additional Paid in Capital	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
Balance at inception		—\$	—\$	—\$	—\$	—\$	—\$
Capital issued for financing	104,825,287	104,826	20,277,171	—	—	—	20,381,997
Capital issued for services	4,157,500	4,157	9,477,295	—	—	—	9,481,452
Capital issued for mineral properties	1,178,519	1,179	2,682,617	—	—	—	2,683,796
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	—	—	—	—	8,460,682	—	8,460,682
Stock based compensation	—	—	—	—	5,080,263	—	5,080,263
Foreign currency translation	—	—	—	—	—	(19,977)	(19,977)
Net Income (loss)	—	—	—	(35,956,085)	—	—	(35,956,085)
Balance at June 30, 2008	48,540,997	\$ 48,541	\$ 32,604,284	\$ (35,956,085)	\$ 13,540,945	\$ (19,977)	\$ 10,217,708
Capital issued for financing	16,707,791	16,707	5,828,684	—	—	—	5,845,391
Capital issued for services	1,184,804	1,185	683,437	—	—	—	684,622
Capital issued from stock options and warrants exercised	384,627	385	249,623	—	(237,008)	—	13,000
Capital issued for mineral	16,200,000	16,200	13,140,250	—	—	—	13,156,450

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properties								
Stock based compensation	—	—	—	—	3,612,864	—	3,612,864	
Transition Adjustment (Note 2)	—	—	—	—	1,052,709	—	1,052,709	
Foreign currency translation	—	—	—	—	—	(267,215)	(267,215)	
Net Income (loss)	—	—	—	(7,241,179)	—	—	(7,241,179)	
Balance at June 30, 2009	83,018,219	\$ 83,018	\$ 52,506,278	\$ (43,197,264)	\$ 17,969,510	\$ (287,192)	\$ 27,074,350	
Capital issued for financing	18,400,000	18,400	21,371,043	—	—	—	21,389,443	
Capital issued from stock options and warrants exercised	8,351,360	8,351	16,361,552	—	(3,841,264)	—	12,528,639	
Capital issued for mineral properties	300,000	300	374,700	—	—	—	375,000	
Stock based compensation	—	—	—	—	309,840	—	309,840	
Transition Adjustment (Note 2)	—	—	—	(12,637,875)	(3,612,864)	—	(16,250,739)	
Foreign currency translation	—	—	—	—	—	(156,483)	(156,483)	
Net Income (loss)	—	—	—	(5,351,958)	—	—	(5,351,958)	
Balance at June 30, 2010	110,069,579	\$ 110,069	\$ 90,613,573	\$ (61,187,098)	\$ 10,825,222	\$ (443,675)	\$ 39,918,091	
Capital issued for financing								