

**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 September 30, 2017

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-36908

**PARAMOUNT GOLD NEVADA CORP.**



(Exact name of Registrant as specified in its Charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**665 Anderson Street  
Winnemucca, NV**  
(Address of principal executive offices)

**98-0138393**  
(I.R.S. Employer  
Identification No.)

**89445**  
(Zip Code)

**Registrant's telephone number, including area code: (775) 625-3600**

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

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

Indicate by check mark 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 or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a small reporting company)	Small reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of shares of Registrant's Common Stock outstanding, \$0.01 par value per share, as of November 3, 2017 was 23,074,954.



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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**PARAMOUNT GOLD NEVADA CORP.**  
**Condensed Consolidated Interim Balance Sheets**  
**as at September 30, 2017 and June 30, 2017**  
**(Unaudited)**

	<b>As at September 30, 2017</b>	<b>As at June 30, 2017</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 91,977	\$ 1,911,170
Prepaid and deposits	543,220	213,608
Accounts receivable	95,939	15,804
Other assets	197,988	—
<b>Total Current Assets</b>	<b>929,124</b>	<b>2,140,582</b>
<b>Non-Current Assets</b>		
Mineral properties (Note 7)	46,460,386	46,460,386
Property and equipment	11,721	12,659
Reclamation bond (Note 8)	2,090,378	2,086,562
<b>Total Non-Current Assets</b>	<b>48,562,485</b>	<b>48,559,607</b>
<b>Total Assets</b>	<b>\$ 49,491,609</b>	<b>\$ 50,700,189</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 703,629	\$ 873,127
Reclamation and environmental obligation, current portion (Note 8)	216,101	216,101
<b>Total Current Liabilities</b>	<b>919,730</b>	<b>1,089,228</b>
<b>Non-Current Liabilities</b>		
Reclamation and environmental obligation, non-current portion (Note 8)	1,082,617	1,044,933
<b>Total Liabilities</b>	<b>2,002,347</b>	<b>2,134,161</b>
<b>Stockholders' Equity</b>		
Common stock, par value \$0.01, 50,000,000 authorized shares, 17,779,954 issued and outstanding at September 30, 2017 and June 30, 2017	177,800	177,800
Additional paid in capital	84,056,167	84,050,214
Deficit	(36,744,705)	(35,661,986)
<b>Total Stockholders' Equity</b>	<b>47,489,262</b>	<b>48,566,028</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 49,491,609</b>	<b>\$ 50,700,189</b>

Subsequent Events: Note 12

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

**PARAMOUNT GOLD NEVADA CORP.**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**for the Three Month Period ended September 30, 2017 and 2016**  
**(Unaudited)**

	For the Three Month Period Ended September 30, 2017	For the Three Month Period Ended September 30, 2016
<b>Revenue</b>		
Other income (Note 9)	\$ 85,548	\$ 5,306
<b>Total Revenue</b>	<u>85,548</u>	<u>5,306</u>
<b>Expenses</b>		
Exploration	646,912	537,371
Land holding costs	161,112	154,611
Professional fees	18,075	47,991
Salaries and benefits	142,921	264,843
Directors compensation	20,953	45,029
General and administrative	113,602	142,055
Insurance	27,938	42,996
Depreciation	938	1,102
Accretion (Note 8)	37,684	34,322
<b>Total Expenses</b>	<u>1,170,135</u>	<u>1,270,320</u>
<b>Net Loss before other Expense</b>	<u>1,084,587</u>	<u>1,265,014</u>
<b>Other Expense (Income)</b>		
Interest income	(3,818)	(3,286)
Interest and service charges	1,950	194
<b>Net Loss before income taxes</b>	<u>1,082,719</u>	<u>1,261,922</u>
<b>Income taxes</b>		
Deferred tax recovery (Note 3)	—	(3,215,418)
<b>Net Loss (Income)</b>	<u>\$ 1,082,719</u>	<u>\$ (1,953,496)</u>
<b>Loss (Income) per Common Share</b>		
Basic	\$ 0.06	\$ (0.13)
Diluted	\$ 0.06	\$ (0.13)
<b>Weighted Average Number of Common Shares Used in Per Share Calculations</b>		
Basic	17,779,954	15,144,322
Diluted	17,779,954	15,424,838

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

**PARAMOUNT GOLD NEVADA CORP.**

**Condensed Consolidated Interim Statements of Stockholders' Equity  
for the Three Month Period Ended September 30, 2017 and Years ended June 30, 2017 and 2016  
(Unaudited)**

	Shares (#)	Common Stock	Additional Paid- In Capital	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
<b>Balance at June 30, 2016</b>	<b>8,518,791</b>	<b>\$ 85,188</b>	<b>\$65,143,383</b>	<b>\$(31,322,384)</b>	<b>—</b>	<b>\$ 33,906,187</b>
Stock based compensation	—	—	243,421	—	—	243,421
Capital issued for acquisition (Note 3)	7,171,163	71,712	15,131,154	—	—	15,202,866
Capital issued for financing (Note 6)	2,090,000	20,900	3,532,256	—	—	3,553,156
Net loss	—	—	—	(4,339,602)	—	(4,339,602)
<b>Balance at June 30, 2017</b>	<b>17,779,954</b>	<b>\$ 177,800</b>	<b>\$84,050,214</b>	<b>\$(35,661,986)</b>	<b>—</b>	<b>\$ 48,566,028</b>
Stock based compensation	—	—	5,953	—	—	5,953
Net loss	—	—	—	(1,082,719)	—	(1,082,719)
<b>Balance at September 30, 2017</b>	<b>17,779,954</b>	<b>\$ 177,800</b>	<b>\$84,056,167</b>	<b>\$(36,744,705)</b>	<b>—</b>	<b>\$ 47,489,262</b>

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

**PARAMOUNT GOLD NEVADA CORP.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**for the Three Month Period ended September 30, 2017 and 2016**  
**(Unaudited)**

	For the Three Month Period End September 30, 2017	For the Three Month Period Ended September 30, 2016
Net Income (Loss)	\$ (1,082,719)	\$ 1,953,496
Adjustment for:		
Depreciation	938	1,102
Stock based compensation	5,953	67,925
Accretion expense (Note 8)	37,684	34,322
Interest earned on reclamation bond	(3,816)	(3,286)
Insurance expense	—	12,261
Deferred tax recovery (Note 3)	—	(3,215,418)
(Increase) decrease in accounts receivable	(80,135)	(15,060)
(Increase) decrease in other assets	(197,988)	—
(Increase) decrease in prepaid expenses	(329,612)	(358,583)
Increase (decrease) in accounts payable	(169,498)	363,306
<b>Cash used in operating activities</b>	<u>(1,819,193)</u>	<u>(1,159,935)</u>
Acquisition of Calico	—	(1,001,623)
Cash acquired in Calico transaction	—	4,363
<b>Cash used in investing activities</b>	<u>—</u>	<u>(997,260)</u>
<b>Cash provided by financing activities</b>	<u>—</u>	<u>—</u>
Change in cash during period	(1,819,193)	(2,157,195)
Cash at beginning of period	1,911,170	5,874,258
<b>Cash at end of period</b>	<u>\$ 91,977</u>	<u>\$ 3,717,063</u>

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

**PARAMOUNT GOLD NEVADA CORP.**  
**Notes to Condensed Consolidated Interim Financial Statements**

**Note 1. Description of Business and Summary of Significant Accounting Policies**

Paramount Gold Nevada Corp. (the “Company” or “Paramount”), incorporated under the General Corporation Law of the State of Nevada, and its wholly-owned subsidiaries are engaged in the acquisition, exploration and development of precious metal properties. The Company’s wholly owned subsidiaries include New Sleeper Gold LLC, Sleeper Mining Company, LLC, and Calico Resources USA Corp (“Calico”). The Company is in the process of exploring its mineral properties in Nevada and Oregon, United States. The Company’s activities are subject to significant risks and uncertainties, including the risk of failing to secure additional funding to advance its projects and the risks of determining whether these properties contain reserves that are economically recoverable. The Company’s shares of common stock trade on the NYSE American LLC under the symbol “PZG”.

**Basis of Presentation and Preparation**

The unaudited condensed consolidated interim financial statements are prepared by management in accordance with accounting principles for interim financial information 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 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 future years.

The condensed consolidated interim financial statements have been prepared in accordance with U.S. GAAP and 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. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended June 30, 2017.

**Use of Estimates**

The preparation of these consolidated financial statements in conformity with U.S. GAAP 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 condensed consolidated interim financial statements include the adequacy of the Company’s asset retirement obligations, valuation of deferred tax asset, and valuation of mineral properties.

**Cash and Cash Equivalents**

All highly liquid cash equivalent investments with maturities of three months or less at the date of purchase are classified as cash and cash equivalents. The carrying amount of these securities approximates fair value because of the short-term maturity of these instruments.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and amounts receivable. The Company maintains cash and cash equivalents in accounts which may, at times, exceed federally insured limits. At September 30, 2017, the Company had nil balances in excess of federally insured limits. We deposit our cash with financial institutions which we believe have sufficient credit quality to minimize the risk of loss.

**Fair Value Measurements**

The Company has adopted FASB ASC 820, Fair Value Measurements and Disclosures, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. The Company applies fair value accounting for all financial assets and liabilities and non – financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as 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.



The Company has adopted FASB ASC 825, Financial Instruments, which allows companies to choose to measure eligible financial instruments and certain other items at fair value that are not required to be measured at fair value. The Company has not elected the fair value option for any eligible financial instruments.

### **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). Shares of the Company’s common stock will be issued for any options exercised.

### **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 ore 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.

### **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.

### **Property and Equipment**

Equipment is recorded at cost less accumulated depreciation. All equipment is depreciated over its estimated useful life at the following annual rates:

Computer equipment	30% declining balance
Equipment	20% declining balance

### **Asset Retirement Obligations**

The Company follows the provisions of ASC 440, “*Asset Retirement and Environmental Obligations*”, which establishes the standards for the initial measurement and subsequent accounting for obligations associated with the sale, abandonment, or other disposal of long-lived tangible assets arising from the acquisition, construction or development and for normal operations of such assets. The Company’s asset retirement obligations are further described in Note 8.

### **Loss/Income per Common Share**

Basic loss/income 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 or income 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.

For the three month period ended September 30, 2017, the shares of common stock equivalents related to outstanding stock options have not been included in the diluted per share calculation as they are anti-dilutive as the Company has recorded a net loss from continuing operations for the period.

### **Revenue Recognition**

Revenue is recognized when persuasive evidence that an agreement exists, the risks and rewards of ownership pass to the purchaser, the selling price is fixed and determinable; or collection is reasonably assured. The passing of title to the purchaser is based on the terms of the purchase and sale agreement.

## Note 2. Recent Accounting Guidance

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230) - Restricted Cash*,” which will require entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. These changes become effective for the Company’s fiscal year beginning July 1, 2018. The Company is currently evaluating the potential impact of implementing these changes on the Company’s consolidated financial position, results of operations, and cash flows.

## Note 3. Acquisitions

On July 7, 2016, the Company completed the acquisition of Calico, which held mining claims and the Grassy Mountain Gold Project in Oregon, USA. Upon closing of the transaction, Calico became a wholly-owned subsidiary of the Company, and each issued and outstanding share of Calico common stock was converted into 0.07 shares of Paramount common stock.

The transaction was accounted for as an asset acquisition, as Calico is an exploration stage project, which requires that the total purchase price be allocated to the assets acquired and liabilities assumed based on their relative fair values. The purchase price and acquired assets and liabilities were as follows:

Common shares issued (7,171,163 at \$2.12)	\$ 15,202,866
Transaction advisory fees and other acquisition costs	795,925
<b>Total purchase price</b>	<b>\$ 15,998,791</b>
Assets:	
Cash	\$ 4,363
Receivables and other current assets	28,093
Mineral properties	20,785,728
	<u>20,818,184</u>
Liabilities:	
Accounts payable and accrued liabilities	1,603,975
Deferred income taxes	3,215,418
	<u>4,819,393</u>
<b>Net assets acquired</b>	<b>\$ 15,998,791</b>

Pursuant to the acquisition of Calico, the Company recorded a deferred tax liability of \$3,215,418. Subsequent to the acquisition, the Company determined that it would be able to utilize the benefit of its tax operating loss carryforwards and adjusted its valuation allowance to recognize the benefit of these previously unrecognized deferred tax assets and offset the deferred tax liability. Accordingly, the Company recognized a deferred tax recovery of \$3,215,418 in the comparative quarter of 2016.

## Note 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.

Assets	Total	Fair Value at September 30, 2017			June 30, 2017 Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 91,977	91,977	—	—	\$ 1,911,170

The Company's cash and cash equivalents 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.

#### Note 5. Non-Cash Transactions

During the three month period ended September 30, 2017, the Company did not enter into any non-cash activities. During the three month period ended September 30, 2016, the Company issued 7,171,163 shares of its common stock with a value of \$15,202,866 for the acquisition of Calico Resources Corp.

#### Note 6. Capital Stock

##### Authorized Capital

Authorized capital stock consists of 50,000,000 common shares with par value of \$0.01 per common share (June 30, 2017 – 50,000,000 common shares with par value \$0.01 per common share).

At September 30, 2017 there were 17,779,954 common shares issued and outstanding (June 30, 2017 - 17,779,954 common shares).

##### Warrants

A summary of warrant activity as of September 30, 2017, and changes during the three month period ended is presented below:

	Warrants	Weighted Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$)
Outstanding at July 1, 2017	1,045,000	\$ 2.13	1.41	—
Issued	—	—	—	—
Outstanding at September 30, 2017	1,045,000	\$ 2.13	1.41	—

#### Stock Options and Stock Based Compensation

Paramount's 2015 and 2016 Stock Incentive and Compensation Plans, which are stockholder-approved, permits the grant of stock options and stock to its employees for up to 1.569 million shares of common stock. Option awards are generally granted with an

exercise price equal to the market price of Paramount's stock at the date of grant and have contractual lives of 5 years. To better align the interests of its key executives and employees with those of its stockholders, a significant portion of those stock option awards will vest contingent upon meeting certain stock price appreciation performance goals. Option and stock awards provide for accelerated vesting if there is a change in control (as defined in the employee stock option plan).

The fair value of option awards that have market conditions are estimated on the date of grant using a Monte-Carlo Simulation valuation model. The award's grant date fair value is determined by taking the average of the grant date fair values under each of many Monte Carlo trials. The key assumptions used in the simulations were as follows:

	2017	2016
Weighted average risk-free interest rate	—	1.26%
Weighted average volatility	—	70.26%
Weighted average fair value	\$ —	\$ 1.22

The fair value of option awards that do not have market conditions are estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Because Black-Scholes option valuation models incorporate ranges of assumptions for inputs, those ranges are disclosed. Given Paramount's short history as a public company, expected volatilities are based on, historical volatilities from five proxy companies' stock. Paramount uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding; the range given below results from certain groups of employees exhibiting different behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	2017	2016
Weighted average risk-free interest rate	—	1.26%
Weighted-average volatility	—	70.26%
Expected dividends	—	\$ 0.00
Weighted average expected term (years)	—	5.00
Weighted average fair value	—	\$ 1.23

A summary of option activity under the Stock Incentive and Compensation Plan as of September 30, 2017, and changes during the three month period ended is presented below.

Options	Options	Weighted Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 1, 2017	1,045,000	\$ 1.54	—	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	—	—	—	—
Outstanding at September 30, 2017	1,045,000	\$ 1.54	3.31	\$ 39,800
Exercisable at September 30, 2017	1,011,666	\$ 1.56	3.36	\$ 39,800

A summary of the status of Paramount's non-vested options as of July 1, 2017 and changes during the three month period ended September 30, 2017 is presented below.

Non-vested Options	Options	Weighted- Average Grant- Date Fair Value
Non-vested at July 1, 2017	33,334	\$ 1.23
Granted	—	—
Vested	—	—
Forfeited	—	—
Non-vested at September 30, 2017	33,334	\$ 1.23

As of September 30, 2017, there was \$9,266 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the employee share option plan. That cost is expected to be recognized over a weighted-average period of 0.95 years. The total fair value of share based compensation arrangements vested during the three month period ended September 30, 2017 and 2016, was \$nil and \$351,236, respectively.

#### Note 7. Mineral Properties

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

	September 30, 2017	June 30, 2017
Sleeper	\$ 25,674,658	\$ 25,674,658
Grassy Mountain	20,785,728	20,785,728
	<u>\$ 46,460,386</u>	<u>\$ 46,460,386</u>

Sleeper:

Sleeper is located in Humbolt County, Nevada approximately 26 miles northwest of the town of Winnemucca. The Sleeper Gold Mine consists of 2,322 unpatented mining claims totaling approximately 38,300 acres.

Grassy Mountain:

The Grassy Mountain Project is located in Malheur County, Oregon, approximately 22 miles south of Vale, Oregon, and roughly 70 miles west of Boise, Idaho. It consists of 418 unpatented lode claims, 3 patented lode claims, 9 mill site claims, 6 association placer claims, and various leased fee land surface and surface/mineral rights, all totaling approximately 9,300 acres.

#### Note 8. Reclamation and Environmental:

The Company holds an insurance policy which is in effect until 2033 related to its Sleeper Gold Project. The policy covers reclamation costs up to an aggregate of \$25 million in the event the Company's bond is insufficient to cover any mandated reclamation obligations.

As a part of its insurance 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 September 30, 2017 is \$2,090,378 (June 30, 2017 - \$2,086,562).

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.

The current undiscounted estimate of the reclamation costs for existing disturbances at the Sleeper Gold Project is \$3,835,050 as required by U.S Bureau of Land Management and the Nevada Department of Environmental Protection. Assumptions used to compute the asset retirement obligations as at September 30, 2017 and June 30, 2017 for the Sleeper Gold Project included a credit adjusted risk free rate and inflation rate of 9.76% (June 30, 2017– 9.76%) and 2.0% (June 30, 2017 – 2.0%), respectively. Expenses are expected to be incurred between the years 2017 and 2056.

Changes to the Company's asset retirement obligations for the three month period ended September 30, 2017 and the year ended June 30, 2017 are as follows:

	Three Month Period 2017	Year Ended June 30, 2017
Balance at beginning of period	\$ 1,261,034	\$ 1,402,039
Accretion expense	37,684	137,288
Payments	—	(278,293)
Change in estimate of existing obligation	—	—
Balance at end of period	<u>\$ 1,298,718</u>	<u>\$ 1,261,034</u>

The balance of the asset retirement obligation of \$1,298,718 (June 30, 2017 -\$1,261,034 ) is comprised of a current portion of \$216,101 (June 30, 2017 -\$216,101 ) and a non-current portion of \$1,082,617 (June 30, 2017 -\$1,044,933).

#### Note 9. Other Income

The Company's other income details for the three month period ended September 30, 2017 were as follows:

	Three Month Period 2017	Three Month Period 2016
Re-imbursement of reclamation costs	\$ 80,145	\$ -
Leasing of water rights to third party	5,403	5,306
<b>Total</b>	<u>\$ 85,548</u>	<u>\$ 5,306</u>

#### Note 10. Segmented Information:

Segmented information has been compiled based on the material mineral properties in which the Company performs exploration activities.

Expenses and mineral property carrying values by material project for the three month period ended September 30, 2017:

	Exploration Expenses	Land Holding Costs	Mineral Properties As at September 30, 2017
Sleeper Gold Project	\$ 95,474	\$ 107,620	\$ 25,674,658
Grassy Mountain Project	551,438	53,492	20,785,728
	<u>\$ 646,912</u>	<u>\$ 161,112</u>	<u>\$ 46,460,386</u>

Expenses for the three month period ended September 30, 2016 and mineral property carrying values as at June 30, 2017 by material project:

	Exploration Expenses	Land Holding Costs	Mineral Properties As at June 30, 2017
Sleeper Gold Project	\$ 96,630	\$ 115,482	\$ 25,674,658
Grassy Mountain Project	440,741	39,129	20,785,728
	<u>\$ 537,371</u>	<u>\$ 154,611</u>	<u>\$ 46,460,386</u>

#### Note 11. Commitments and Contingencies:

##### Lease Commitments

During the three month period ended September 30, 2017, the Company has office premises leases that expire at various dates until June 30, 2018. The aggregate minimum rentals payable for these operating leases are as follows:

Year	Total Amount
2018	\$ 13,800

During the three month period ended September 30, 2017, \$7,043 was recognized as rent expense in the statement of operations and comprehensive loss/income.

**Note 12. Subsequent Events:**

Subsequent to the quarter ended September 30, 2017, the Company closed a public offering of 3,520,000 shares of common stock at a price of \$1.40 raising gross proceeds of \$4.9 million. Also subsequent to the quarter ended September 30, 2017, the Company closed a private placement of 1,775,000 shares of common stock for gross proceeds of \$2.5 million. Costs related to these offerings incurred prior to September 30, 2017 are included in Other Assets on the Condensed Consolidated Interim Balance Sheets as at September 30, 2017 and June 30, 2017.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Certain statements in this Quarterly Report on Form 10-Q ("Form 10-Q") constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give the Company's current expectations and forecasts of future events. All statements other than statements of current or historical fact contained in this quarterly report, including statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. These statements are based on the Company's current plans, and the Company's actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this quarterly report may turn out to be inaccurate. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q, and in the risk factors on Form 10-K that was filed with the U.S. Securities and Exchange Commission (SEC) on September 18, 2017. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

### **Overview**

We are an emerging growth company engaged in the business of acquiring, exploring and developing precious metal projects in the United States of America. Paramount owns advanced stage exploration projects in the states of Nevada and Oregon. We enhance the value of our projects by implementing exploration and engineering programs that are likely to expand and upgrade known mineralized material to reserves. The following discussion updates our outlook and plan of operations for the foreseeable future. It also analyzes our financial condition and summarizes the results of our operations for the three months ended September 30, 2017 and compares these results to the results of the prior year three months ended September 30, 2016.

### **Operating Highlights:**

During the three months ended September 30, 2017, Paramount completed a 30 hole drill program at its Grassy Mountain Project that it commenced in late 2016. The drill program was designed with the primary objective of better defining the mineralized material for underground mining. Secondly, material was recovered in the drill program for additional metallurgical testing and geotechnical data required to optimize precious metal recovery processes and to determine the most efficient mining method.

In August, 2017, we commenced drilling of deep monitoring wells at the Grassy Mountain Project. Data from this program will help to define a water flow model, characterize the water quality and determine if there will be any mine dewatering needs. These wells will also be used for monitoring during operation of the mine. It expected this drilling will be completed in the Company's second quarter.

Also in August the Company filed a mine Plan of Operations ("POO") with the with the Federal Bureau of Land Management's ("BLM") district office in Vale, Oregon for its Grassy Mountain Project. With the POO filed, the BLM can initiate its National Environmental Policy Act ("NEPA") review process which will commence with the preparation of an Environmental Impact Statement ("EIS").

Subsequent to the three months ended September 30, 2017, the Company closed a public offering of 3,520,000 shares of common stock and closed a private placement of 1,775,000 shares of common stock both at a price of \$1.40 for aggregate gross proceeds of \$7.4 million.

### **Outlook and Plan of Operation:**

We believe that investors will gain a better understanding of our company if they understand how we measure and talk about our results. As a exploration and development company, we do not generate cash flow from our operations. We recognize the importance of managing our liquidity and capital resources. We pay close attention to non-discretionary cash expenses and look for ways to minimize them when possible. We ensure we have sufficient cash on hand to meet our annual land holding costs as the maintenance of mining claims and leases are essential to preserve the value of our mineral property assets.



For the fiscal year ending June 30, 2018, we have undertaken or intend to undertake the following:

**Sleeper Gold Project:**

The Company is expected to focus its efforts on its reclamation and claim management activities for the fiscal year ending June 30, 2018.

**Grassy Mountain Project:**

The Company is expected to complete a NI 43-101 Pre-Feasibility Study (“PFS”) by the Company’s third quarter for the current fiscal year. The PFS will consist of detailed analysis of all the key parameters involved in constructing and operating a mine including projected capital and operating costs, production levels and expected returns under different scenarios. The Company will also submit its consolidated mining permit application with the State of Oregon in the first half of 2018.

**Comparison of Operating Results for the three months ended September 30, 2017 and 2016**

**Results of Operations**

We did not earn any revenue from mining operations for the three months ended September 30, 2017 and 2016. During the three month period ended September 30, 2017, we completed a 30 hole drill program that we commenced in late 2016 at Grassy Mountain. We also initiated the drilling of deep monitoring wells at Grassy Mountain and we filed a POO with the BLM. Other normal course of business activities included filing annual mining claim fees with the BLM, reclamation work at the Sleeper mine site and on-going reviews of its mining claims were completed.

**Net Loss**

Our net loss before income taxes for the three months ended September 30, 2017 was \$1,082,719 compared to a net loss before income taxes of \$1,261,922 in the previous year. The decrease in net loss before income taxes of 14% is fully described below. The Company expects to incur losses for the foreseeable future as we continue with our planned exploration programs.

**Expenses**

***Exploration and Land Holding Costs***

For the three months ended September 30, 2017, exploration expenses were \$646,912 compared to \$537,371 in the prior year. This represents an increase of 20% or by \$109,541. During the three-month period ended September 30, 2017, the Company continued with activities related to the PFS which included design engineering, water management analysis and geotechnical evaluation. As indicated above, the previously announced drill program was completed and drill core was sent to assay labs for analysis. Total exploration expenses at the Grassy Mountain expenses during the three-month period were \$551,438.

For the three months ended September 30, 2017, land holding costs increased by 4% or by \$6,501 to \$161,112 from the prior year. The increase was primarily a result additional legal and other administration costs related to maintaining the claims.

***Salaries and Benefits***

For the three months ended September 30, 2017, salary and benefits decreased by 46% or by \$121,922 to \$142,921 from the prior year’s three months ended September 30, 2016. Salary and benefits is comprised of cash and stock based compensation of the Company’s executive and corporate administration teams. The decrease primarily reflects bonuses awarded to management and employees and stock based compensation recorded in the comparable prior year period. Included in the salary and benefits expense amount for the three months ended September 30, 2017 and 2016 was a non-cash stock based compensation of \$nil and \$30,221, respectively.

***Professional Fees and General and Administration***

For the three-month period ended September 30, 2017, professional fees were \$18,075 compared to \$47,991 in the prior year’s comparable period. This represents a decrease of 62% or \$29,916. Professional fees such as legal, accounting incurred or accrued during the period of \$197,988 were recorded as Other Assets on the Condensed Consolidated Interim Balance Sheets as they relate to the financing that was completed subsequent the three months ended September 30, 2017.

For the three-month period ended September 30, 2017, general and administration expenses decreased by 20% to \$113,602 from \$142,055 in the prior year comparable period. This decrease was a result of one-time costs incurred in the prior year period to integrate the acquisition of Calico into the Company.

### **Liquidity and Capital Resources**

As an exploration and development company, Paramount funds its operations, reclamation activities and discretionary exploration programs with its cash on hand. At September 30, 2017, we had cash and cash equivalents of \$91,977 compared to \$1,911,170 as at June 30, 2017. The main uses of cash were comprised mainly of the following material amounts:

- Cash used in operating activities which included general and administration expenses, land holding costs, exploration programs at our Grassy Mountain and Sleeper Gold Projects and reclamation activities of \$1,819,193

Subsequent to the three months ended September 30, 2017, the Company closed a public offering of 3,520,000 shares of common stock and closed a private placement of 1,775,000 shares of common stock both at a price of \$1.40 for aggregate gross proceeds of \$7.4 million.

We anticipate our expenditures for the remainder of the fiscal year ending June 30, 2018 to be as follows:

- \$1.3 million on corporate administration expenses (expenses include executive management and employee salaries, legal, audit, marketing and other general and administrative expenses)
- \$0.3 million on the Sleeper Gold Project (expenses include reclamation costs, employee salary and benefits)
- \$3.3 million on Grassy Mountain Project (expenses include consulting fees, land holding costs and general and administration expenses, PFS expenses which include mineralized material modelling, economic analysis, environmental impact statement preparation, mine design, process design and other mine permitting activities)

Our anticipated expenditures will be funded by our cash on hand. Historically, we and other similar exploration and development public companies have accessed capital through equity financing arrangements. If, however we are unable to obtain additional capital or financing, our exploration and development activities will be significantly adversely affected.

### **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 United States Generally Accepted Accounting Principles ("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, long-lived assets and asset retirement obligations. 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 these costs 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*

We record exploration expenses as incurred. When we determine 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, we have not established any proven or probable reserves and will continue to expense exploration expenses as incurred.

#### *Stock Based Compensation*

For stock option grants with market conditions that affect vesting, the Company uses a lattice approach incorporating a Monte Carlo simulation to value stock option granted.

For stock option grants that have no market conditions that affect vesting, the Company uses the Black-Scholes option valuation model to value stock options granted. The Black-Scholes option valuation 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. There were no options issued in the three month period ended September 30, 2017.

#### *Reclassification*

Certain comparative figures have been reclassified to conform to the current year-end 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.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

#### **Foreign Currency Exchange Rate Risk**

The Company holds cash balances in both U.S. and Canadian dollars. We transact most of our business in US dollars. We do not manage our foreign currency exchange rate risk through the use of financial or derivative instruments, forward contracts or hedging activities.

In general, the strengthening of the U.S. dollar will positively impact our expenses transacted in Canadian dollars. Conversely, any weakening of the U.S. dollar will increase our expenses transacted in Canadian dollars. We do not believe that any weakening of the U.S. dollar as compared to the Canadian dollar will have an adverse material effect on our operations.

#### **Interest Rate Risk**

The Company's investment policy for its cash and cash equivalents is focused on the preservation of capital and supporting the liquidity requirements of the Company. The Company's interest earned on its cash balances is impacted on the fluctuations of U.S. interest rates. We do not use interest rate derivative instruments to manage exposure to interest rate changes. We do not believe that interest rate fluctuations will have any material effect on our operations.

**Item 4. Controls and Procedures.**

## a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) and determined that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation considered the procedures designed to ensure that the information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

## (b) Changes in Internal Control over Financial Reporting

During the period covered by this Quarterly Report on Form 10-Q, there was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(d) and 13d-15(d) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## (c) Inherent Limitations of Disclosure Controls and Internal Controls over Financial Reporting

Because of its inherent limitations, disclosure controls and internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation or effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**PART II – OTHER INFORMATION****Item 1A. Risk Factors.**

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for year ended June 30, 2017.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART IV

### Item 6. Exhibits.

(a) Index to Exhibits

<b>Exhibit Number</b>	<b>Description</b>
31.1*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

