

**AUDIT COMMITTEE CHARTER
PARAMOUNT GOLD AND SILVER CORP.
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
EFFECTIVE AS OF OCTOBER 1, 2010**

PURPOSE

The purpose of the Audit Committee of the Board of Directors of Paramount Gold and Silver Corp. (the "**Company**") shall be to:

- Oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company;
- Assist the Board in oversight and monitoring of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications, independence and performance, and (iv) the Company's internal accounting and financial controls;
- Prepare the Audit Committee report as prescribed by the rules of the Securities and Exchange Commission (the "**SEC**") ;
- Provide the Company's Board with the results of its monitoring and recommendations derived there from; and
- Provide to the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters that require the attention of the Board.

In addition, the Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors may from time to time prescribe, or as may be required by law from time to time.

The Board and management shall ensure that the Audit Committee has adequate funding and other resources and authority to discharge its responsibilities as determined by the Audit Committee.

MEMBERSHIP

The Audit Committee members will be appointed by, and will serve at the discretion of the Board of Directors. The Audit Committee will consist of at least three members of the Board of Directors, all of whom, in the judgment of the Board of Directors shall be "independent" as defined by the rules promulgated by the SEC and, if applicable, Multilateral Instrument 52-110 - Audit Committees ("**MI 52-110**") of the Canadian Securities Administrators ("**CSA**"). In the event that a securities regulatory authority or stock exchange, on which the Company's shares trade, requires a majority or all of the

directors of the audit committee to be independent, then this Charter shall be amended accordingly. Each member of the Audit Committee shall in the judgment of the Board of Directors have the ability to read and understand the Company's financial statements and, if applicable, shall be "financially literate" as defined under MI 52-110. At least one member of the Audit Committee shall in the judgment of the Board of Directors be an audit committee "financial expert" in accordance with the rules and regulations of the SEC and at least one member (who may also serve as the audit committee financial expert) shall in the judgment of the Board of Directors have accounting or related financial management expertise. Audit Committee members will satisfy any additional requirements mandated by rules and regulations of the SEC, CSA or the listing standards of any stock exchange on which the Company's shares trade. The Audit Committee will review its membership annually for compliance with the above requirements.

RESPONSIBILITIES

The responsibilities of the Audit Committee shall include:

- Reviewing on a continuing basis the adequacy of the Company's system of internal controls, including meeting periodically with the Company's management and the independent auditors to review the adequacy of such controls and to review before release the disclosure regarding such system of internal controls required under SEC and CSA rules to be contained in the Company's periodic filings and the attestations or reports by the independent auditors relating to such disclosure;
- Appointing, compensating and overseeing the work of the independent auditors (including resolving disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
- Pre-approving all audit services provided to the Company by the independent auditors; in this regard, the Audit Committee shall have the sole authority to approve the hiring and firing of the independent auditors, all audit engagement fees and terms and all non-audit engagements, as may be permitted under applicable SEC and CSA rules or applicable laws, with the independent auditors;
- Pre-approving non-audit services provided to the Company by the independent auditors (or subsequently approving non-audit services in those circumstances where a subsequent approval is necessary and permissible); in this regard the Audit Committee shall have the authority to appoint a subcommittee of one or more members of the Audit Committee and/or to pre-approve non-audit services by establishing detailed pre-approval policies as to the particular service, provided that the Audit Committee is informed of each service pre-approved (no less frequently than at each meeting of the Audit Committee) and that no pre-approval shall be delegated to management of the Company except as permitted by applicable law and regulation. In considering whether to pre-approve any non-

audit services, the Audit Committee or its delegates shall consider whether the provision of such services is compatible with maintaining the independence of the Company's independent auditors;

- Reviewing and providing guidance with respect to the external audit and the Company's relationship with its independent auditors by (i) reviewing the independent auditors' proposed audit scope, approach and independence; (ii) obtaining on a periodic basis a statement from the independent auditors regarding relationships and services with the Company which may impact independence, and to the extent there are relationships, monitoring and investigating them, including actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and presenting such information to the Board of Directors; (iii) receiving and reviewing a report by the independent auditors describing any material issues raised by the most recent internal quality control review, or peer review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities and any steps taken to deal with any such issues; (iv) discussing with the Company's independent auditors the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management; and (v) reviewing reports submitted to the Audit Committee by the independent auditors in accordance with the applicable SEC and CSA requirements;
- Recommending to the Board as to whether the Company's audited financial statements should be included in the Company's Annual Report based on the Audit Committee's review and discussions (1) with management of the audited financial statements, and (2) with the independent auditor concerning the independent auditor's independence;
- Reviewing and discussing with management and the independent auditors the annual audited financial statements and quarterly unaudited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing the Company's Annual Report on Form 10-K and Quarterly Reports, respectively, with the SEC and CSA;
- Directing the Company's independent auditors to review before filing with the SEC and CSA the Company's interim financial statements included in Quarterly Reports, using professional standards and procedures for conducting such reviews;
- Conducting a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors;

- Reviewing before release the unaudited quarterly operating results in the Company's quarterly earnings release;
- Reviewing and discussing with management and the Company's independent auditors the preparation and content of any officer certifications required to be filed with the Company's Quarterly Report, Annual Report or any other periodic report;
- Discussing with management and internal audit representatives the activities, organizational structure and qualifications of the Company's internal audit function;
- Reviewing any reports by management or internal auditors regarding the effectiveness of, or any deficiencies in, the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls and reviewing before release the disclosure regarding the Company's system of internal controls required under SEC or CSA rules to be contained in the Company's periodic filings and the attestations or reports by the independent auditors relating to such disclosure;
- Overseeing compliance with legal requirements for disclosure of auditor's services and Audit Committee members, member qualifications and activities;
- Reviewing, in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements;
- Providing oversight and review at least annually of the Company's risk management policies, including its investment policies;
- If necessary, instituting special investigations with full access to all books, records, facilities and personnel of the Company;
- As appropriate, obtaining advice and assistance from outside legal, accounting or other advisors and setting the pay and compensation for such advisors employed by the Committee;
- Reviewing and approving in advance any proposed related party transactions, including, without limitation, approving all transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404 and Ontario Securities Commission Rule 61-501;
- Reviewing its own charter, structure, processes and membership requirements on an annual basis;
- Providing a report in the Company's proxy statement in accordance with the rules and regulations of the SEC and CSA;

- Establishing procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- Reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

MEETINGS

The Audit Committee will meet at least four times each year. The Audit Committee may establish its own schedule, which it will provide to the Board of Directors in advance.

The Audit Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Company at such times as are appropriate to review the financial affairs of the Company. The Audit Committee will meet separately with the independent auditors of the Company, at such times as it deems appropriate, but not less than quarterly, to fulfill the responsibilities of the Audit Committee under this charter.

MINUTES

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

REPORTS

In addition to preparing the report in the Company's proxy statement in accordance with the rules and regulations of the SEC and CSA, as applicable, the Audit Committee will summarize its examinations and recommendations to the Board of Directors as may be appropriate, consistent with the Committee's charter, and otherwise make regular reports to the Board of Directors.

COMPENSATION

Members of the Audit Committee shall receive such fees, if any, for their service as Audit Committee members as may be determined by the Board of Directors in its sole discretion. Such fees may include retainers or per meeting fees. Fees may be paid in such form of consideration as is determined by the Board of Directors.

Members of the Audit Committee may not receive any compensation from the Company except the fees that they receive for service as a member of the Board of Directors or any committee thereof.

DELEGATION OF AUTHORITY

The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its scheduled meetings.