

26 September, 2006

Companies Announcements Office,
Australian Stock Exchange Ltd,
Sydney

Annual Report for 2006

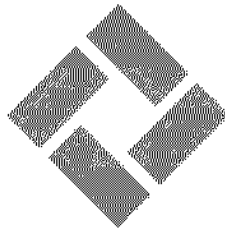
The Directors of Paradigm Gold Limited are pleased to enclose the Company's Annual Report for the 2006 financial year including the Directors' Report, relevant Financial Statements and the Audit Report.

The Annual General Meeting will be held at the Company's offices on 16 November at 10am. The Notice of Meeting and the printed Annual Report are expected to be dispatched to shareholders by 12 October 2006.

Yours sincerely,



Graham Carman
Managing Director



ParadigmGold

ANNUAL REPORT

PARADIGM GOLD LIMITED

ABN 28 102 747 133

YEAR ENDED 30 JUNE 2006

CORPORATE DIRECTORY

Directors

Richard Austen (Non-Executive Chairman)

Graham Carman (Managing Director)

John Gaskell (Non-Executive Director)

Stephen Lonergan (Non-Executive Director and Company Secretary)

Raymond Soper (Non-Executive Director)

Richard Harvey (Alternate for R Austen)

Registered Office and principal place of business

Suite 202, 122 Walker St

North Sydney NSW 2060

Telephone: 61 2 9955 7130

Facsimile: 61 2 8920 3576

Share Registry

Registries Limited

Level 2, 28 Margaret Street

Sydney, NSW 2000

Telephone: 61 2 9290 9600

Facsimile: 61 2 9279 0664

Auditors

PKF

Level 10, 1 Margaret Street

Sydney NSW 2000

Stock Exchange Listing

The Company is listed on

The Australian Stock Exchange (ASX)

Home Exchange: Sydney

ASX Code: Shares – PDM, Options - PDMO

Web Page

<http://www.paradigmgold.com.au>

PARADIGM GOLD LIMITED
CHAIRMAN'S LETTER
FOR THE YEAR ENDED 30 JUNE 2006

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PARADIGM GOLD LIMITED
CHAIRMAN'S LETTER
FOR THE YEAR ENDED 30 JUNE 2006

Fellow Shareholders,

26 September 2006

During the year the Company continued to explore for porphyry copper/gold and epithermal gold mineralization in Eastern Australia, completing just over 4 kilometres of drilling.

A number of encouraging gold intersections were made at the Auburn (Paradigm 100%) project located 80 km from Cracow in south east Queensland. The Company is considering several options for taking the project forward including joint ventures with other explorers active in the area. Other drilling on the Mt David (Paradigm earning 25% from Jaguar Minerals Ltd) prospect in NSW indicated that previous miners had exploited quite wide gold-bearing lodes (+/- 10m) and that potential exists for the discovery of, as yet, untouched extensions.

The Company has retained the wholly owned Guyra, Lighthouse Gully, Brown Mountain and North Cadia projects since we believe that they have considerable exploration potential and could attract joint venture partners and current expenditure commitments have been satisfied by past exploration.

Three applications for exploration permits were made over radiometric anomalies located in the Mt Isa region of Queensland considered prospective for uranium and base-metals. These are expected to be granted shortly at which time we will decide how best to extract the best value for our shareholders.

Exploration at Brovinia (joint initiative with Copper Strike Ltd) proved to be disappointing and the project was abandoned. The Company's Laurel Hill exploration licence in NSW was also relinquished.

In addition to the activities noted above the Company has continued to energetically seek new projects. Since this time last year, 37 exploration prospects and/or investment opportunities have been reviewed. Of these nine were deemed worthy of a field visit and this led to the Company submitting four proposals for participation. To date none of these has been accepted.

The current high level of activity in the resource sector has lead to the promotion of a large number of deals that, in our opinion, are overpriced and, if taken up by the Company would result in an unacceptable level of dilution for our existing shareholders.

Your board will continue to seek out new investment opportunities that meet our criteria to create real value for our shareholders and in the meantime we will maintain on-going costs to the absolute minimum. At the current level of activities the Company is sufficiently funded for at least the next 12 months. When an appropriate acquisition opportunity arises then an equity raising will be considered.

Thank you for your support over the past, frustrating year.



Richard Austen, AO
Chairman

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

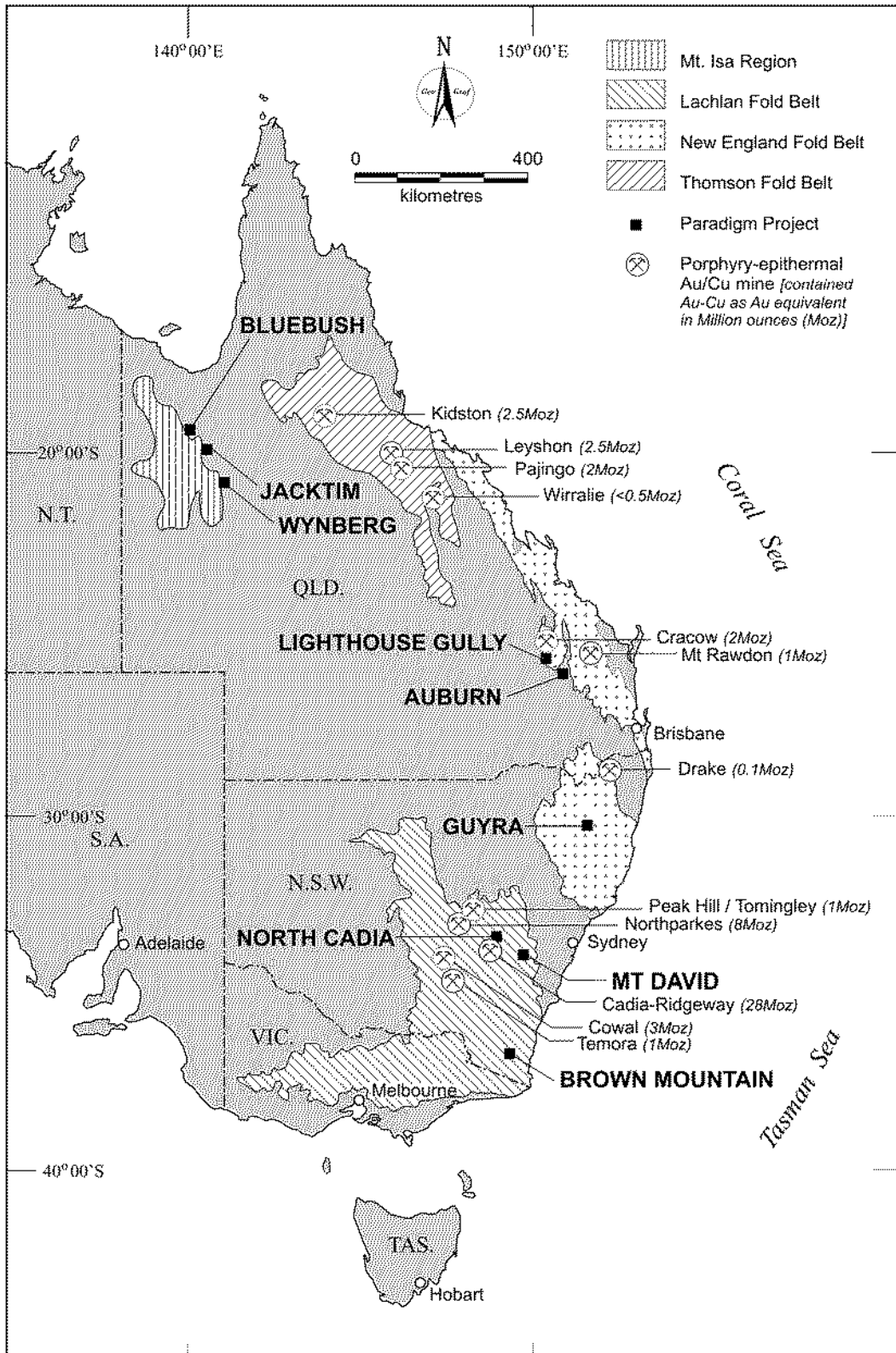


Figure 1 - Project Location Map

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The locations of Paradigm's projects in eastern Australia are shown in Figure 1 above.

New England Fold Belt

Auburn gold project (PDM 100%)

Paradigm staked three exploration permits in an area of known historic gold production 80km from Cracow in southeast Queensland during the 2nd quarter of 2006. Gold was mined from the Auburn area in small underground shafts during the late 19th century. The area has received limited gold exploration in modern times. The three exploration permits (EPM's 15264, 15296, 15322) cover an area of 105 sq km.

Host rocks at Auburn are Permian diorites and gabbros. Mineralisation is considered to be of similar age to Newcrest's Cracow deposit (2 million oz gold) and of broadly similar style. Ten prospects were identified by Paradigm during rock chip sampling of a northwest-trending fault zone of 5km strike length and covering an area of about 10 sq km (Figure 2). Three prospects were tested with first-pass RAB and RC drilling during the year: Great Eastern, Bottle Tree, and Brady.

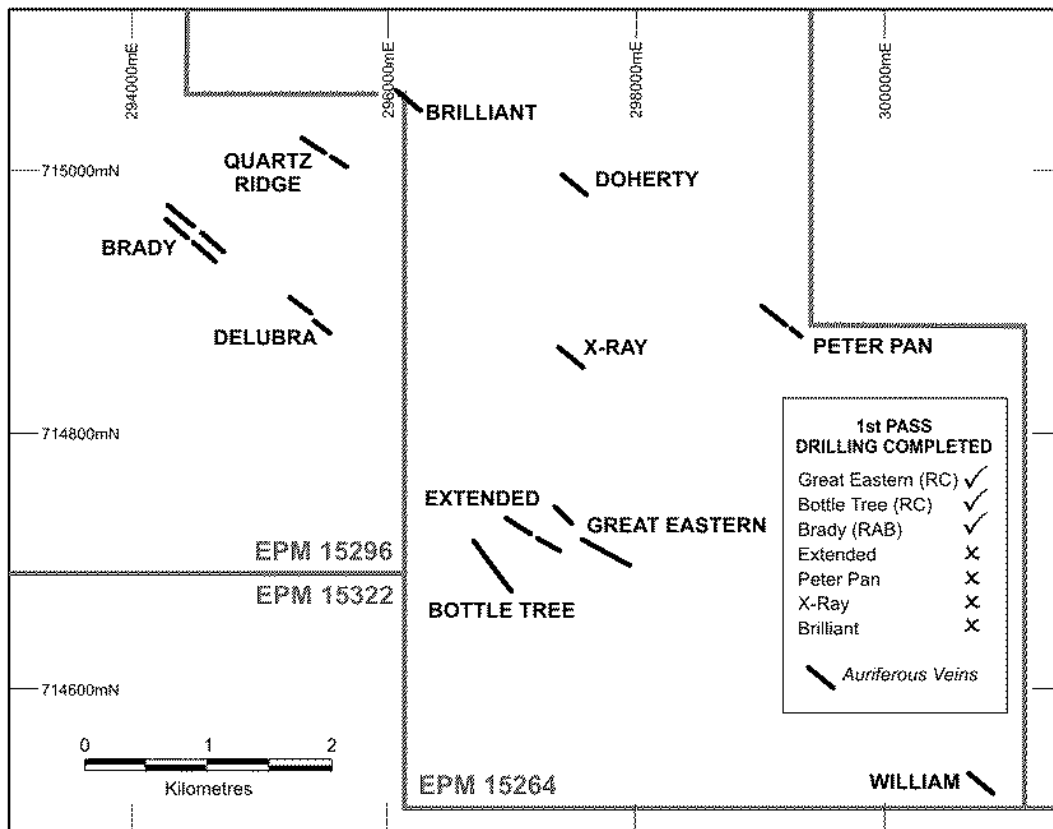


Figure 2 - Auburn Prospect Map

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The best drill results came from Great Eastern where veins can be traced discontinuously at surface for about 300m. Drill holes targeted vein mineralisation along strike and down-dip of old workings to a depth of 90m. Two sub-vertical quartz veins were intersected consistently with widths of between 1 and 5 m, but only the Main Lode contains significant grade.

Eleven holes intercepted the Main Lode at Great Eastern with variable results. Figure 3 shows a longitudinal section with all the drill intercepts of the Main Lode. About half of the holes intersected significant gold mineralisation over narrow widths of 1-3m. High-grade gold mineralisation (+5g/t) was intersected in two of the drill holes: 1m at 9.0g/t gold from 19m in GEP001; and 1m at 14.2 g/t gold from 50m in GEP003. These intersections are interpreted to represent two separate plunging shoots, with mineralisation open down-plunge.

The drill intercepts at Great Eastern while narrow, indicate this vein system could have significant size. Potential exists for a high-grade underground vein gold deposit. Diamond drilling is required to adequately test the targets down-plunge.

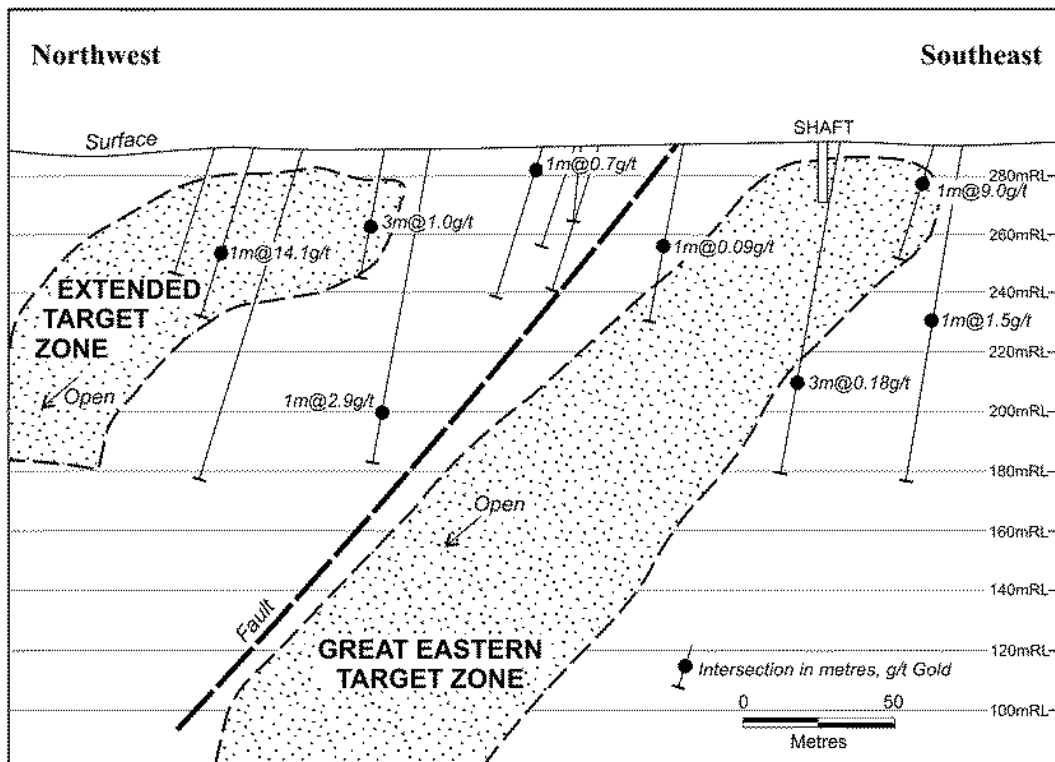


Figure 3 - Great Eastern Prospect, Long Section

At Bottle Tree, four shallow drill holes intersected a flat-dipping 2m-thick epithermal quartz vein. The best mineralised intercept was found in BTP002 which returned 1m at 128g/t silver, 0.3g/t gold. Channel samples at Bottle Tree recorded up to 117g/t silver, with one sample assaying 2.9 g/t gold. At the Brady prospect several RAB holes intersected narrow quartz veins with anomalous gold up to 0.25g/t over narrow intervals (<5m).

The Directors are considering all options for advancing the Auburn project in 2007, including farm-out or sale. Management is seeking a suitable partner including major companies who may be interested in new and emerging eastern Australian gold plays.

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

Lighthouse Gully (PDM 100%)

A low-grade gold-copper porphyry deposit was found at Lighthouse Gully (EPM 13878) by the Company in 2005. The Lighthouse Gully project could still have significant potential but requires deep drilling to test the conceptual target (Figure 4). The depth to the central core, typically the best mineralised part of a porphyry system, is as yet uncertain. The directors believe the project is best suited as a farm-out to a major company seeking early-stage, potentially large gold-copper systems in eastern Australia.

The Lighthouse Gully project is located 30km south of the epithermal gold vein district of Cracow currently mined by Newcrest Mining Ltd -Sedimentary Holdings NL in southeast Queensland.

Minimal exploration was undertaken by the Company at Lighthouse Gully during the year. The tenement remains in good standing given high levels of past exploration expenditure, and an application for renewal has been submitted to the Queensland Department of Natural Resources and Mines. Prospective Permian volcanics and their sub-volcanic equivalents underlie the project area beneath about 100m of Mesozoic sediments.

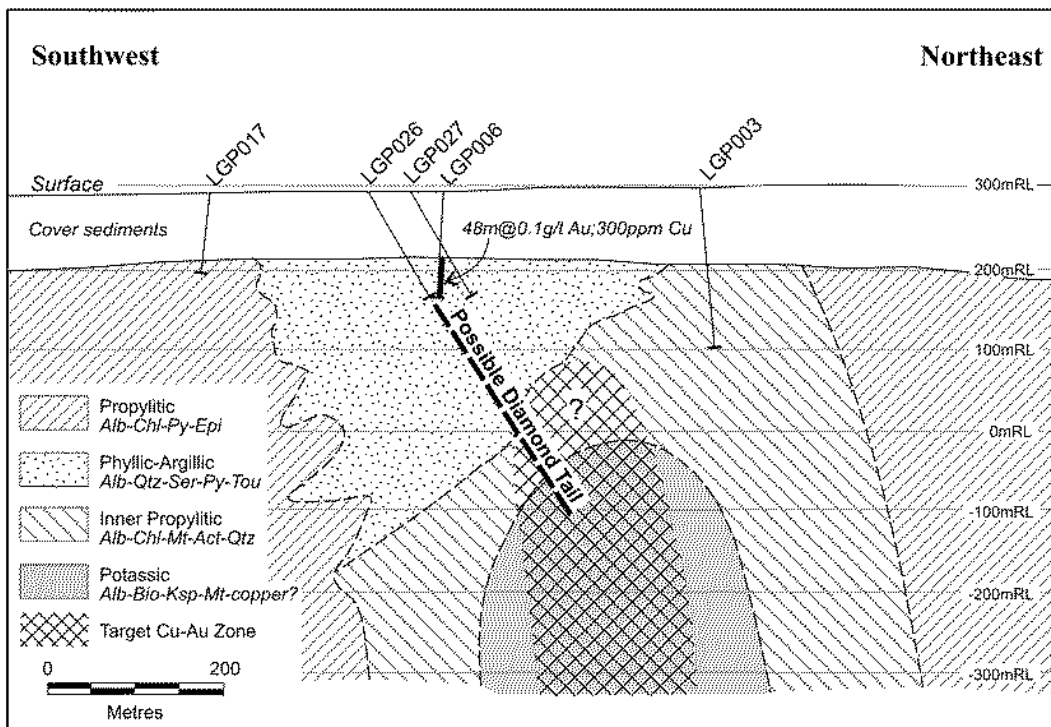


Figure 4 - Lighthouse Gully, Interpretive Cross-Section

Abbreviations for alteration minerals shown in Figure 4 are:

Act = actinolite; Alb = albite; Bio = biotite; Chl = chlorite; Epi = epidote; Ksp = K-feldspar; Mt = magnetite; Py = pyrite; Qtz = quartz; Ser = sericite; Tou = tourmaline.

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

Brovinia (relinquished)

Paradigm completed seven percussion drill holes at the May Queen prospect located a few km south of Auburn in southeast Queensland pursuant to an option agreement with the tenement holder Copper Strike Ltd (EPM 15036). The Company entered into the agreement to follow-up on high-grade gold intercepts over several metres made at the May Queen by a previous explorer.

The best intercept in Paradigm's drilling was 1m at 22.9g/t gold, but otherwise the drilling did not repeat the previous results. The Company subsequently withdrew from the agreement relinquishing its rights to earn an interest in the tenement.

Guyra (PDM 100%)

Although a ground-based electromagnetic (EM) survey found no major conductors, the Guyra project (EL 5976) in the New England region of NSW remains prospective for silver and base-metal vein systems. Silver-bearing quartz veins were intersected by Paradigm whilst drill testing a low-grade copper-molybdenum porphyry prospect at Guyra. The Company continues to look for partners with a silver exploration focus to advance the project.

Lachlan Fold Belt

Mt David (PDM earning 25%)

The Mt David project (EL 5242) is a farm-in agreement between Paradigm Gold Ltd and Jaguar Minerals Ltd. The area is prospective for lode gold deposits, and for stockwork-vein porphyry deposits of the Cadia-Ridgeway type. The two companies jointly funded exploration for most of the initial drilling program. On 28 August 2006 Paradigm elected to earn a 25% interest in the project by sole-funding the next \$170,000 of exploration over the next 2 years. Paradigm has the option, at its own election, to earn an additional 25% (50% total) by spending an additional \$250,000.

Five drill holes partially tested auriferous quartz lodes along a faulted geological contact between hanging-wall sediments and footwall felsic volcanics. The most significant results came from two holes, MTD005 and MTD009, which drilled through old mining stopes. The margins of the stopes consist of low-grade quartz vein material grading up to 2.3g/t gold. The true width of the mineralised lode is approximately 10m including the stope.

Potential exists for extensions of the high-grade gold lodes beneath the level of the current workings, and along strike to the north beneath thin cover rocks where the sediment-volcanic contact has not been tested (Figure 5).

Four wide-spaced holes tested porphyry targets associated with geophysical anomalies at depths between 100-150m. Three holes intersected potassic alteration hosted by Ordovician volcanic rocks (MTD001-003). Potassic alteration is an important geological feature of porphyry copper-gold deposits in the Lachlan Fold Belt (e.g. at Cadia-Ridgeway), although significant copper-gold mineralisation has not been found yet at Mt David.

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

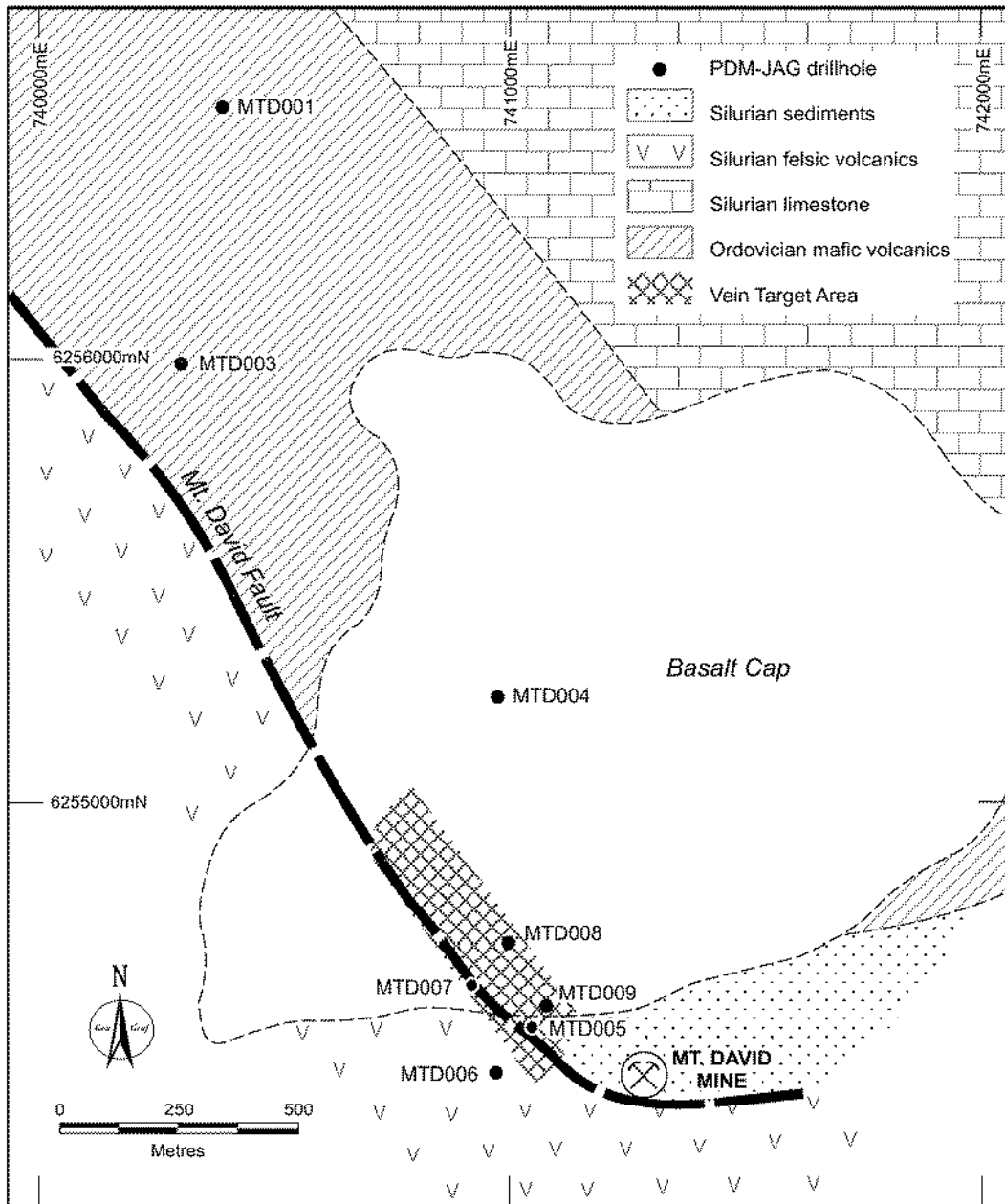


Figure 5 - Mt. David Geology Map

PARADIGM GOLD LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2006

North Cadia (PDM 100%)

No significant exploration activities were undertaken at North Cadia during the year. A new exploration licence EL 6588 was granted on 3 July 2006 to consolidate three expiring EL's into a single exploration licence covering the same region.

North Cadia is located a few km north of Newcrest's Cadia-Ridgeway mining operations near Orange NSW. The Company reviewed its project data in detail. While the Directors are in no doubt that potential still exists for Cadia-style porphyry mineralisation within the tenement area, deeper more costly drilling is required to test this hypothesis. The Directors are pursuing the strategy of finding a suitable farm-in partner to advance the exploration thereby reducing the exploration risk.

Brown Mountain (PDM 100%)

The Company renewed the exploration licences EL 5980 and EL 6277 for an additional 2 years over a reduced area (15 sub-blocks). Previous drilling at the Main Gossan prospect intersected 36m at 0.5 g/t gold, 0.1% copper from 65 (incl. 4m at 1.0 g/t gold from 67m).

Relinquished properties

Laurel Hill (EL5981) has been relinquished in full.

Uranium Applications – Mt Isa region

Three new exploration permit applications have been submitted over areas considered to have uranium and base-metal potential in the Mt Isa inlier. The three project areas known as Wynberg, Jacktim, and Blue Bush cover an area of 250 sq km. The areas were selected following the reprocessing of publicly available radiometric and aeromagnetic data of the Mt Isa region. The permit applications have been advertised under the provisions of the Native Title Act. There are no competing applications, and we expect the permits will be granted subject only to resolution of Native Title issues.

All three project areas have uranium radiometric anomalies associated with sedimentary rocks belonging to the Cretaceous Toolebuc Formation, and are located on the eastern flank of the Mt Isa inlier. This formation is known to be elevated in uranium and related elements. The areas are prospective for channel or roll-front type uranium derived from uranium eroding from older rocks of the Mt Isa inlier.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The Directors of Paradigm Gold Limited hereby present the financial report of the Company and its controlled entities for the year ended 30 June 2006.

DIRECTORS

The names of Directors of the Company who held office during the period and were in office at the date of this report are:

□ **Richard Austen (Non-Executive Chairman)**

Term of office: Non-Executive Chairman since December 2002.

Mr Austen has a strong background in mining – he was co-founder of Austen and Butta Limited in 1950. In 1982 he was awarded an AO for services to the coal mining industry. He has been Chairman of a number of Public Companies, and for nine years between 1984 and 1993 was Chairman of the Australian Meat and Livestock Corporation. From 1979 to 2000 he was an Australian representative and is a past Chairman of the Coal Industry Advisory Board of the International Energy Agency. He was Chairman of Savage Resources Limited until its takeover by Pasminco Ltd in 1999.

Directorships of other listed companies:

- None.

□ **Graham Carman, PhD (Managing Director)**

Term of office: Managing Director since September 2003.

Dr Carman graduated with a Bachelor of Science (Hons) from Victoria University of Wellington, New Zealand, in 1986. He spent several years exploring for gold in Western Australia, North Queensland and Lihir Island in Papua New Guinea, completing a PhD at Monash University in 1994. He was six years exploring for gold-copper and zinc deposits in Peru, firstly with Rio Tinto and then as Exploration Manager of Savage Resources Ltd (latterly Pasminco Ltd) until 2000. Several significant discoveries of gold and base-metals were made during this time. Dr Carman returned to Melbourne to run the exploration efforts of Pasminco Ltd in Australia. He currently resides in Sydney. Dr Carman performs the functions of chief executive officer and chief financial officer of the Company.

Directorships of other listed companies:

- None.

□ **John Gaskell (Non-Executive Director)**

Term of office: Director since November 2002.

Mr Gaskell was Managing Director of Savage Resources Limited (Savage) until March 1999, when it was taken over by Pasminco Ltd. He played a leading role in the growth of Savage from a junior NSW coal miner in 1992 to an international metal and mining company. During this time he was involved in establishing Savage's ownership of the Ernest Henry gold-copper mine in Queensland, the acquisition by Savage of the zinc mines and refinery in Tennessee and the development of Savage's exploration in North and South America. Mr Gaskell graduated as a geologist from the University of Leeds in 1966 and since then has been involved in the exploration industry world-wide in a number of public and private companies. He currently lives in Sydney and works as a consultant. Mr Gaskell is a member of the Company's Audit Committee.

Directorships of other listed companies:

- Director of Dominion Mining Limited since December 2004.

□ **Stephen Lonergan (Non-Executive Director and Company Secretary)**

Term of office: Director since November 2002.

Mr Lonergan is a commercial lawyer based in Sydney. He has some 25 years' experience in the Australian and international mining industry having been General Counsel of the Pancontinental Mining Group, a partner in the law firm Baker and McKenzie, Sydney, and General Counsel and Company Secretary of Savage Resources Ltd. Mr Lonergan is an Honours graduate in law from the Australian National University and holds a Masters degree in law from McGill University, Montreal. Mr Lonergan is a member of the Company's Audit Committee.

Directorships of other listed companies:

- None.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

□ **Ray Soper (Non-Executive Director)**

Term of office: Director since November 2002.

Mr Soper is a Mining Engineer (MBA) with 36 years of resource industry experience including mine design and operations, metallurgy, project development, project finance, corporate strategy, investment and exploration. He has worked with Mt Isa Mines, Renison Gold Fields, Peko Wallsend, McKinsey and Resource Finance Corporation. He has current and past involvement in the development of several resource projects. Mr Soper is Chairman of the Company's Audit Committee.

Directorships of other listed companies:

- Director of King Island Scheelite Ltd (formerly GTN Resources Ltd, formerly Great Northern Mining Corporation Ltd) since June 1992.
- Director of Huntley Investment Company Ltd since October 1993.
- Director of Platsearch NL since March 1987.
- Director of Buka Minerals Ltd from March 1996 to February 2004.
- Director of Klondike Source Ltd from May 1999 to May 2006.

□ **Richard Harvey (Alternate to Richard Austen)**

Mr Harvey has some 30 years in financial management in a number of companies mainly in the resources sector including Peko Wallsend Ltd from 1978 to 1981, and Shell Australia Coal Division from 1981 to 2002. He is currently Director of Business Development in the Hartley Pastoral Group. He is a Chartered Secretary and a qualified accountant.

Directorships of other listed companies:

- None.

PRINCIPAL ACTIVITIES

The economic entity operates predominantly in the mining exploration industry throughout New South Wales and Queensland.

OPERATING RESULT

The consolidated loss of the economic entity for the financial year after providing for income tax amounted to \$504,665 (2005: \$837,497).

The net assets of the Company have decreased from \$3,511,448 at 30 June 2005 to \$3,006,783 at 30 June 2006. This decrease is largely the result of the write-down of expenditures on generative exploration projects and corporate costs.

REVIEW OF OPERATIONS

A review of the operations of the Company during the financial year and the results of those operations is set out in the Operations Report.

DIVIDENDS

No dividends were paid or declared since the start of the financial year.

CHANGES IN STATE OF AFFAIRS

During the year, there were no significant changes in the state of affairs of the Company other than that referred to in the financial statements or notes thereto.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial statements.

DIRECTORS' SHARES AND OPTIONS

No securities in the Company were issued to a Director or any employee during the year in connection with their provision of services.

MEETINGS OF DIRECTORS

During the financial year, 13 meetings of Directors (including meetings of committees of Directors) were held. Attendances by each Director during the year were:

DIRECTOR	Director Meetings NUMBER ELIGIBLE TO ATTEND	Director Meetings NUMBER ATTENDED	Audit Committee NUMBER ELIGIBLE TO ATTEND	Audit Committee NUMBER ATTENDED
Richard Austen	13	12	-	-
Graham Carman	13	13	-	-
John Gaskell	13	13	2	2
Stephen Lonergan	13	10	2	2
Raymond Soper	13	11	2	2
Richard Harvey (Alternate to R Austen)	13	12	-	-

REMUNERATION REPORT FOR DIRECTORS AND KEY MANAGEMENT PERSONNEL

Remuneration of Directors is approved by the Board and is set in aggregate within the maximum amount approved by the shareholders from time to time. The performance of the Directors is reviewed annually. Aside from the Managing Director there are no key management personnel of the Company. No component of any Directors' remuneration is based on meeting any particular performance criteria.

The remuneration and terms and conditions of employment for the Managing Director are reviewed annually having regard to performance and relative comparative information, and approved by the Board, as required.

No Director or executive of the Company has received a benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and executives shown below.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

Remuneration paid to the Directors and key management personnel during the year was as follows;

	PRIMARY BENEFITS						POST EMPLOYMENT		Equity Compensation		TOTAL	
	Salaries and Fees		Cash Bonuses		Non Monetary		Superannuation		Options / Shares			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Richard Austen	40,000	40,000	-	-	-	-	-	-	-	-	40,000	40,000
Graham Carman	139,380	126,733	-	-	-	-	25,620	15,767	-	-	165,000	142,500
John Gaskell	27,523	27,522	-	-	-	-	2,477	2,478	-	-	30,000	30,000
Stephen Lonergan	-	-	-	-	-	-	30,000	30,000	-	-	30,000	30,000
Raymond Soper	27,523	27,522	-	-	-	-	2,477	2,478	-	-	30,000	30,000
	234,426	221,777	-	-	-	-	60,574	50,723	-	-	295,000	272,500

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant direct or indirect interest in the securities of Paradigm Gold Limited as at the date of this report:

Director	Fully paid Ordinary Shares	Listed Options over unissued ordinary shares
Richard Austen	2,810,608	870,834
Graham Carman	2,466,640	66,670
John Gaskell	833,340	66,670
Stephen Lonergan	450,000	-
Raymond Soper	812,500	-
Total	7,373,088	1,004,174

The terms of the Options are the same as other listed Paradigm Options (Note 11 to the Financial Statements), with an exercise price of 25c expiring 18 May 2008. There were no changes in Directors' shareholdings from the beginning of the financial year to the end.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

The Company has entered into deeds with each of the Directors and the Company Secretary under which the Company has agreed to indemnify the Directors and the Company Secretary on a full indemnity basis and to the full extent permitted by law for losses or liabilities incurred as an officer of the Company.

During the financial year, the Company has paid an insurance premium in respect of a contract insuring each of the Directors and Company Secretary of the Company named in this report, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

ENVIRONMENTAL REGULATIONS

The Company participates in mineral exploration activities covered by mineral exploration licences governed by the respective States. These licences specify the environmental regulations applicable to the exploration of minerals. There have been no known breaches of the environmental obligations of the Company's contracts or licences.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

NON-AUDIT SERVICES

During the financial year ended 30 June 2006, an amount of \$15,260 (2005: \$1,850) was paid to PKF for tax compliance services.

The Directors are satisfied that the provision of these non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided by PKF means that the auditor's independence requirements under the Corporations Act 2001 were not compromised.

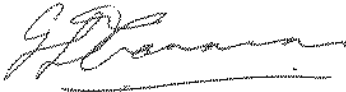
PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Audit Independence requirements of the *Corporations Act 2001*, the Directors have received and are satisfied with the "Audit Independence Declaration" provided by the Company's external auditors PKF. The Audit Independence Declaration has been attached as part of this Directors' Report on the following page.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

For and on behalf of the Directors



Graham Carman
Managing Director

Dated: 26 SEPTEMBER 2006



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To: **The Directors**
Paradigm Gold Limited

As lead engagement partner for the audit of Paradigm Gold Limited and controlled entities for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Tim Sydenham
Partner
Sydney Office

PKF
Dated: 26th September 2006

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New South Wales Partnership | ABN 83 236 985 726
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DX 10173 | Sydney Stock Exchange | New South Wales

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PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

INCOME STATEMENT

Financial year ended 30 June 2006

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
Continuing operations					
Other income	2	89,262	144,725	89,262	144,725
Employee expense		(181,444)	(152,989)	(181,444)	(152,989)
Depreciation expense		(6,086)	(5,388)	(6,086)	(5,388)
Other expenses	3	(406,397)	(823,845)	(612,754)	(2,619,464)
		<hr/>		<hr/>	
Loss before income tax		(504,665)	(837,497)	(711,022)	(2,633,116)
Income tax (expense)/benefit	4	-	-	-	-
		<hr/>		<hr/>	
Loss for the year		<u>(504,665)</u>	<u>(837,497)</u>	<u>(711,022)</u>	<u>(2,633,116)</u>
Earnings per share:					
Basic (cents per share)	18	(1.1) cents	(1.9) cents	(1.6) cents	(5.9) cents
Diluted (cents per share)	18	(1.1) cents	(1.9) cents	(1.6) cents	(5.9) cents
Dividend per share		-	-	-	-

The above Income Statement should be read in conjunction with the accompanying notes.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2006

BALANCE SHEET
As at 30 June 2006

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	19	1,169,094	1,958,872	1,169,094	1,948,535
Trade and other receivables	5	-	-	-	-
Other current assets	6	67,445	96,345	32,445	16,680
Total current assets		1,236,539	2,055,217	1,201,539	1,965,215
NON-CURRENT ASSETS					
Plant and equipment	7	23,650	29,737	23,650	29,737
Financial assets	8	-	-	2	2
Other non-current assets	6	1,799,744	1,474,337	64,048	-
Total non-current assets		1,823,394	1,504,074	87,700	29,739
TOTAL ASSETS		3,059,933	3,559,291	1,289,239	1,994,954
CURRENT LIABILITIES					
Trade and other payables	9	46,650	37,362	46,650	37,362
Short term provisions	10	1,500	5,481	1,500	5,481
Total current liabilities		48,150	42,843	48,150	42,843
NON-CURRENT LIABILITIES					
Long term provisions	10	5,000	5,000	5,000	5,000
Total non-current liabilities		5,000	5,000	5,000	5,000
TOTAL LIABILITIES		53,150	47,843	53,150	47,843
NET ASSETS		3,006,783	3,511,448	1,236,089	1,947,111
EQUITY					
Issued capital	11	5,036,193	5,036,193	5,036,193	5,036,193
Accumulated losses		(2,029,410)	(1,524,745)	(3,800,104)	(3,089,082)
TOTAL EQUITY		3,006,783	3,511,448	1,236,089	1,947,111

The above Balance Sheet should be read in conjunction with the accompanying notes.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

**STATEMENT OF
CHANGES IN EQUITY**

Financial year ended 30 June 2006

	ECONOMIC ENTITY			PARENT ENTITY		
	<i>Issued capital</i> \$	<i>Accumulated losses</i> \$	<i>Total</i> \$	<i>Issued capital</i> \$	<i>Accumulated losses</i> \$	<i>Total</i> \$
Balance at 1 July 2004	5,036,193	(687,247)	4,348,946	5,036,193	(455,966)	4,580,227
Loss for Year	-	(837,498)	(837,498)	-	(2,633,116)	(2,633,116)
Balance at 30 June 2005	<u>5,036,193</u>	<u>(1,524,745)</u>	<u>3,511,448</u>	<u>5,036,193</u>	<u>(3,089,082)</u>	<u>1,947,111</u>
Balance at 1 July 2005	5,036,193	(1,524,745)	3,511,448	5,036,193	(3,089,082)	1,947,111
Loss for Year	-	(504,665)	(504,665)	-	(711,022)	(711,022)
Balance at 30 June 2006	<u>5,036,193</u>	<u>(2,029,410)</u>	<u>3,006,783</u>	<u>5,036,193</u>	<u>(3,800,104)</u>	<u>1,236,089</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

CASH FLOW STATEMENT

Financial year ended 30 June 2006

		ECONOMIC ENTITY		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash flows from operating activities	Note				
Receipts from other income		3,184	2,889	3,184	2,889
Payments to suppliers and employees		(483,026)	(540,382)	(561,605)	(520,381)
Interest received		86,078	141,836	86,078	141,836
Net cash used in operating activities	19	<u>(393,764)</u>	<u>(395,657)</u>	<u>(472,343)</u>	<u>(375,656)</u>
Cash flows from investing activities					
Purchase of plant and equipment		-	(2,933)	-	(2,933)
Proceeds of rental deposit		-	3,444	-	3,445
Capitalised exploration expenditure		(396,014)	(1,331,811)	(64,048)	(43,055)
Net cash used in investing activities		<u>(396,014)</u>	<u>(1,331,300)</u>	<u>(64,048)</u>	<u>(42,543)</u>
Cash flows from financing activities					
Payment to wholly owned subsidiaries		<u>-</u>	<u>-</u>	<u>(253,385)</u>	<u>(1,308,758)</u>
Net decrease in cash held		(789,778)	(1,726,957)	(789,776)	(1,726,957)
Cash at the beginning of financial year		1,958,872	3,685,829	1,958,870	3,685,827
Cash at the end of financial year	19	<u>1,169,094</u>	<u>1,958,872</u>	<u>1,169,094</u>	<u>1,958,870</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Paradigm Gold Limited. Paradigm Gold Limited is a listed public company incorporated and domiciled in Australia.

Scope of financial statements

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of Paradigm Gold Limited and controlled entities and Paradigm Gold Limited as a parent entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

Reporting Period

The financial report is presented for the year ended 30 June 2006. The comparative reporting period was for the year ended 30 June 2005.

Authorisation of financial report

The financial report was authorised for issue on 26 September 2006 by the Directors.

First time adoption of Australian equivalents to International Financial Reporting Standards (AIFRS)

Paradigm Gold Limited and controlled entities, and Paradigm Gold Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to international Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Paradigm Gold Limited to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 23 of this report.

a) Overall Policy

The principal accounting policies adopted by Paradigm Gold Limited are stated in order to assist in the general understanding of the financial report.

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Principles of Consolidation

A controlled entity is one which Paradigm Gold Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June year end.

All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those policies applied by the parent entity.

c) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest method.

Available-for-sale financial assets include other financial assets, comprising investments in subsidiaries, not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities comprise of trade and other payables, provisions and borrowings are measured at amortised cost using the effective interest method.

Trade accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectibility.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Revenue Recognition

(i) Revenue from rendering of services

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably and when the other contractual obligations of the entity are performed.

(ii) Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

e) Leases

Lease of assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company were classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Lease incentives under operating leases are recognised as liabilities. The incentives are recognised as a reduction of expenses on a straight line basis unless another systematic basis is more representative of the time pattern in which benefits are diminished.

f) Income taxes

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to the Income Statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with conditions of deductibility by the law.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax consolidation

The Company and its wholly-owned Australian subsidiaries are part of a tax consolidated group under Australian taxation law. The tax consolidated group does not have a tax sharing and funding agreement in place.

g) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which the entity operates in. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non Monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

h) Cash and Cash Equivalents

Cash and cash equivalents comprise:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- (ii) investments in money market instruments; and
- (iii) cash in transit.

i) Receivables

Trade accounts receivables and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts. An estimated doubtful debt is made when collection of the full amount is no longer probable.

j) Financial Assets

Investments in controlled entities are measured on a cost basis. The carrying amounts of investments are reviewed annually by the directors to ensure they are not in excess of recoverable amounts of these assets.

k) Property, Plant and Equipment

Property, plant and equipment are included at cost. Assets in plant and equipment (except for capitalised leased assets) are depreciated on a straight line basis over their estimated useful lives. The depreciation rates used for each class of assets are as follows:

Class of Fixed Asset	Depreciation Rate
Office Equipment	5% - 50%
Leasehold Improvements	5%

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss.

l) Impairment Of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

m) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

n) Short Term Employee Benefits

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payables within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Group has a present obligation to pay resulting from employee services provided up to balance date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

o) Long Term Employee Benefits

Long term employee benefits include long-service leave payable 12 months or more after the end of the period in which employee service are rendered.

p) Events after the Balance Sheet Date

Assets and liabilities are adjusted for events incurring after the balance date that provide evidence of conditions existing at the balance date. Important after balance date events which do not meet these criteria are disclosed in Note 22 to the financial statements.

q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown exclusive of GST.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. An area of interest refers to an individual geological area where the presence of a mineral deposit is considered favourable or has been proved to exist, and in most cases will be an individual tenement. Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

- (a) such expenditure is expected to be recovered through successful development and commercial exploitation of the areas of interest; or
- (b) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

s) Restoration Provision

Where applicable, a provision for material rehabilitation and restoration obligations is recognised. The amount recognised includes the cost of reclamation and site rehabilitation after taking into account restoration works that are carried out during exploration. Costs are determined from estimates of future costs. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date taking into account the risks and uncertainties surrounding the obligation. Where the time value of money is material, the amount of the provision is the present value of the expected future cash flows required to settle the obligation. In each subsequent reporting period, the amount of the provision may be adjusted by any change in the estimated future rehabilitation and restoration costs of existing and new workings, and any discount associated with the change in the life of the project and the discount rate.

t) Comparative Figures

Where required by accounting standards, the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

u) Earnings per Share

Basic earnings per share

Basic earnings per share is determined by dividing the operating profit or loss after income tax attributable to the members of the Company, by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any reduction in earnings per share that will arise from the exercise of options outstanding during the financial period.

v) New Australian Accounting Standards

As at the date of this report there are a number of new Australian Accounting Standards that have been issued but are not yet effected. The Company has assessed the impact of these new Australian Accounting Standards, and has concluded that they will have no impact on the accounting policies detailed above.

w) Significant Judgement and Key Assumptions

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

The Company assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: REVENUE

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating activities				
Interest received	86,078	141,836	86,078	141,836
Non-operating activities				
Rent received	3,184	2,889	3,184	2,889
	<u>89,262</u>	<u>144,725</u>	<u>89,262</u>	<u>144,725</u>
(a) Interest received from:				
- other persons	86,078	141,836	86,078	141,836

NOTE 3: LOSS FOR THE YEAR

(a) Expenses:				
Exploration expenditure	(51,079)	(43,055)	(51,079)	(43,055)
Write-off capitalised expenditure	(47,028)	(463,041)	-	-
Write down of amounts receivable from subsidiaries	-	-	(253,385)	(2,258,660)
Directors fees	(130,000)	(130,000)	(130,000)	(130,000)
Administration expenses	(137,290)	(160,149)	(137,290)	(160,149)
Other expenses	(41,000)	(27,600)	(41,000)	(27,600)
	<u>(406,397)</u>	<u>(823,845)</u>	<u>(612,754)</u>	<u>(2,619,464)</u>

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: INCOME TAX

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Income tax recognised in profit				
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Loss from operations	(504,665)	(837,497)	(711,022)	(2,633,116)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2005: 30%)				
Economic Entity	(151,400)	(251,249)	-	-
Parent Entity	-	-	(213,307)	(789,935)
	<u>(151,400)</u>	<u>(251,249)</u>	<u>(213,307)</u>	<u>(789,935)</u>
Add: tax effect of non- allowable items	1,997	3,000	1,997	3,000
Less: tax effect of timing differences not brought to account	(121,509)	(252,898)	32,643	672,415
Deferred tax assets not brought to account	270,912	501,147	178,667	114,520
Income tax attributable to the entity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 30 June 2006, the Company had estimated unrecouped operating income tax losses of \$4,016,274 (2005:\$3,420,717). The benefit of these losses of \$1,204,882 (2005:\$1,026,215) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

- (i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realized.
- (ii) The Company continues to comply with the conditions for deductibility imposed by the law;
- (iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

As at 30 June 2006 there were no franking credits available for subsequent financial years.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: TRADE AND OTHER RECEIVABLES

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Amounts receivable from:				
- wholly owned subsidiaries	-	-	2,512,043	2,258,658
- provision for impairment of receivables from wholly owned subsidiaries	-	-	(2,512,043)	(2,258,658)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 6: OTHER ASSETS

CURRENT

Prepayments	21,723	-	21,723	-
GST receivable	10,722	6,345	10,722	6,345
Tenement deposits	35,000	90,000	-	-
	<u>67,445</u>	<u>96,345</u>	<u>32,445</u>	<u>6,345</u>

NON-CURRENT

Tenement deposits	74,000	46,500	-	-
Exploration expenditure capitalised:				
- exploration and evaluation phases	1,725,744	1,427,837	64,048	-
	<u>1,799,744</u>	<u>1,474,337</u>	<u>64,048</u>	<u>-</u>

Recoverability of the carrying amount of exploration assets is dependent on successful exploration.

Capitalised costs amounting to \$396,014 (2005: \$1,331,811) have been included in the cash flows from investing activities in the cash flow statement.

NOTE 7: PLANT AND EQUIPMENT

Plant and equipment at cost	36,475	36,475	36,475	36,475
Accumulated depreciation	(12,825)	(6,739)	(12,825)	(6,739)
Total plant and equipment	<u>23,650</u>	<u>29,736</u>	<u>23,650</u>	<u>29,736</u>

	ECONOMIC ENTITY		PARENT ENTITY	
	\$	\$	\$	\$
	Plant & Equipment	Total	Plant & Equipment	Total
Movement in carrying amounts:				
Balance at beginning of year	29,736	29,736	29,736	29,736
Depreciation expense	(6,086)	(6,086)	(6,086)	(6,086)
Carrying amount at end of year	<u>23,650</u>	<u>23,650</u>	<u>23,650</u>	<u>23,650</u>

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8: FINANCIAL ASSETS

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Investment in wholly owned subsidiaries	-	-	2	2

NOTE 9: TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities:

Trade payables	9,750	4,862	9,750	4,862
Sundry payables and accrued expenses	36,900	32,500	36,900	32,500
	<u>46,650</u>	<u>37,362</u>	<u>46,650</u>	<u>37,362</u>

NOTE 10: PROVISIONS

	Tenement Restoration	Employee Benefits	Lease Incentive	Total
Economic Entity				
Opening balance at 1 July 2005	5,000	1,500	3,987	10,487
Amounts used	-	-	(3,987)	(3,987)
Balance at 30 June 2006	<u>5,000</u>	<u>1,500</u>	<u>-</u>	<u>6,500</u>
Parent Entity				
Opening balance at 1 July 2005	5,000	1,500	3,987	10,487
Amounts used	-	-	(3,987)	(3,987)
Balance at 30 June 2006	<u>5,000</u>	<u>1,500</u>	<u>-</u>	<u>6,500</u>

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Analysis of total provisions:				
Current	1,500	5,487	1,500	5,487
Non-current	5,000	5,000	5,000	5,000
	<u>6,500</u>	<u>10,487</u>	<u>6,500</u>	<u>10,487</u>

Provision for tenement restoration:

The restoration provision represents the present value of the Directors' best estimate of the future sacrifice of economic benefit that will be required for meeting environmental obligations for existing tenements after exploration activities have been completed. The provision is reviewed annually by the Directors.

Provision for employee benefits:

A provision has been recognised for employee entitlements relating to annual leave due within 1 year.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11: ISSUED CAPITAL	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
44,132,178 fully paid ordinary shares (2005: 44,132,178)	5,036,193	5,036,193	5,036,193	5,036,193

	\$	Number
(a) Ordinary Shares		
Ordinary Shares at beginning of reporting period	5,036,193	44,132,178
Ordinary Shares at reporting date	5,036,193	44,132,178

The Company has 44,132,178 authorised Ordinary Shares of no par value. Ordinary Shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary Shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Options

At 30 June 2006, there were 14,975,469 (2005: 14,975,469) Options exercisable at 25 cents expiring 18 May 2008. These Options are listed on the ASX with code PDMO.

NOTE 12: AUDITOR'S REMUNERATION	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Amounts received or due and receivable by the auditor of the Company for:				
Audit or review of the financial reports of the Company	26,250	25,750	26,250	25,750
Taxation services	15,260	1,850	15,260	1,850
	41,510	27,600	41,510	27,600

NOTE 13: KEY MANAGEMENT PERSONNEL COMPENSATION

Information regarding individual Directors and Executives compensation is provided in the Remuneration report section on pages 13 and 14 of the Directors' Report.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Controlled Entities of Paradigm Gold Ltd	Country of Incorporation	Percentage Owned	
		2006	2005
		%	%
Paradigm NSW Pty Limited	Australia	100	100
Paradigm Queensland Pty Limited	Australia	100	100

Transactions with related parties

	PARENT ENTITY	
	2006	2005
Subsidiaries	\$	\$
Paradigm Gold Limited paid exploration expenses on behalf of Paradigm NSW Pty Ltd	69,197	768,476
Amount due from Paradigm NSW Pty Ltd	1,668,805	1,599,608
Provision for impairment of amount due from Paradigm NSW Pty Ltd	(1,668,805)	(1,599,608)
Paradigm Gold Limited paid exploration expenses on behalf of Paradigm Queensland Pty Ltd	184,186	543,481
Amount due from Paradigm Queensland Pty Limited	843,238	659,052
Provision for impairment of amount due from Paradigm Queensland Pty Ltd	(843,238)	(659,052)
Other related parties		
Provision of geological consulting services by Paradigm Geoscience Pty Ltd	-	55,854
Payment of Directors' fees to Dick Austen and Associates Pty Limited	40,000	40,000
Sub-lease rent received from John Gaskell	3,184	2,889
Legal fees paid to Stephen Lonergan	-	4,545

All Directors of Paradigm Gold Ltd are shareholders of Paradigm Geoscience Pty Ltd.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15: FINANCIAL INSTRUMENTS

Financial Risk Management

The Group's financial instruments consist of deposits with banks, tenement deposits, accounts receivable and payable and loans to and from subsidiaries.

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

2006	Weighted Average Interest rate	Non-interest bearing \$	1 Year or Less \$	1 to 5 Years \$	Floating Interest Rate \$	Total \$
Financial Assets						
Cash assets	5.39%	24,337	1,144,757	-	-	1,169,094
Receivables	-	67,445	74,000	-	-	141,445
Total Financial Assets		91,782	1,218,757	-	-	1,310,539
Financial Liabilities						
Trade and sundry payables	-	46,650	-	-	-	46,650
Total Financial Liabilities		46,650	-	-	-	46,650
Net Financial Assets		45,132	1,218,757	-	-	1,263,889
Reconciliation of Net Financial Assets to Net Assets						
Net Financial Assets as above						1,263,889
Plant and Equipment						23,650
Capitalised Exploration Expenditure						1,725,744
Provisions						(6,500)
Net Assets as per Balance Sheet						3,006,783

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15: FINANCIAL INSTRUMENTS (CONTINUED)

2005	Weighted Average Interest rate	Non-interest bearing	1 Year or Less	1 to 5 Years	Floating Interest Rate	Total
		\$	\$	\$	\$	\$
Financial Assets						
Cash assets	5.18%	25,090	1,933,782	-	-	1,958,872
Receivables	-	96,345	46,500	-	-	142,845
Total Financial Assets		<u>121,435</u>	<u>1,980,282</u>	<u>-</u>	<u>-</u>	<u>2,101,717</u>
Financial Liabilities						
Trade and sundry payables	-	37,362	-	-	-	37,362
Total Financial Liabilities		<u>37,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,362</u>
Net Financial Assets		<u>84,073</u>	<u>1,980,282</u>	<u>-</u>	<u>-</u>	<u>2,064,355</u>

Reconciliation of Net Financial Assets to Net Assets

Net Financial Assets as above	2,064,355
Plant and Equipment	29,737
Capitalised Exploration Expenditure	1,427,837
Provisions	(10,481)
Net Assets as per Balance Sheet	<u>3,511,448</u>

Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount net of any provision for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The economic entity does not have any material credit risk exposure to a single receivable or group of receivables under financial instruments entered into by the economic entity.

Net Fair Values

The net fair values of assets and other liabilities approximate their carrying value. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and the notes to the financial statements.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16: COMMITMENTS FOR EXPENDITURE

(a) Exploration expenditure commitments	ECONOMIC ENTITY		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
Within 1 year	314,000	335,500	-	-
1-5 years	256,000	155,500	-	-
>5 years	-	-	-	-
	570,000	491,000	-	-

Tenement holdings and related commitments are regularly reviewed, and there is no certainty that a tenement will be held for the full period of its grant. The Company is required to meet minimum committed expenditure requirements to maintain current rights of tenure on exploration tenements. These obligations may be subject to renegotiation, may be farmed out or may be relinquished. The expenditure commitments shown cover commitments for all current tenement holdings and farm-in agreements for a period of 2 years from reporting date.

Jaguar Minerals Farm-in agreement

Paradigm Gold Ltd has a farm-in agreement with Jaguar Minerals Ltd at the Mt David project in NSW. To earn 25% of the project Paradigm is required to spend \$170,000 on exploration over a 2 year period ending 28 August 2008. The expenditure commitment on the tenement is \$87,000 per annum. The Company may relinquish its right to earn an interest at Mt David with 1 months notice, provided the pro rata expenditure commitment has been met.

(b) Operating Lease Commitments

The property lease is a non-cancelable lease with a term of two years, commencing April 2006. The lease allows for subletting of all lease areas.

Within 1 year	39,486	24,604	39,486	24,604
1-5 years	33,057	-	33,057	-
	72,543	24,604	72,543	24,604

NOTE 17: SEGMENT INFORMATION

The economic entity operates predominantly in the mining exploration industry throughout New South Wales & Queensland.

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 18: EARNINGS PER SHARE

	ECONOMIC ENTITY	
	2006	2005
	\$	\$
(a) Reconciliation of earnings to net Loss		
Net loss	(504,665)	(837,498)
Loss used in the calculation of basic EPS and dilutive EPS	(504,665)	(837,498)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	44,132,178	44,132,178
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	44,132,178	44,132,178

NOTE 19: NOTES TO THE CASH FLOW STATEMENT

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Reconciliation of cash and cash equivalents				
Cash at bank	1,158,759	1,948,537	1,158,759	1,948,535
Rental Bond	10,335	10,335	10,335	10,335
	1,169,094	1,958,872	1,169,094	1,958,870
(b) Reconciliation of cash flows from operations with loss after income tax				
Loss after income tax	(504,665)	(837,498)	(711,022)	(2,633,116)
<i>Non cash flows in loss</i>				
Depreciation	6,087	5,388	6,087	5,388
Lease Incentive	(3,981)	(4,778)	(3,981)	(4,778)
Provision for impairment of receivables from wholly owned subsidiaries	-	-	253,385	2,258,660
Exploration expenditure written off	98,107	506,096	-	43,055
<i>Changes in Assets and Liabilities</i>				
Decrease (increase) in other assets	1,400	23,569	(26,100)	43,569
Increase/(decrease) in other payables	9,288	(89,934)	9,288	(89,934)
Increase/(decrease) in other provisions	-	1,500	-	1,500
Net cash used in operating activities	(393,764)	(395,657)	(472,343)	(375,656)

PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20: SUPERANNUATION COMMITMENTS

The economic entity contributes to industry based superannuation plans which provide accumulated benefits to permanent employees. The level of contributions is determined by Superannuation Guarantee legislation. The economic entity has no responsibility for the administration or performance of these industry based funds.

NOTE 21: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2006.

NOTE 22: SUBSEQUENT EVENTS

There are no significant events to disclose subsequent to the reporting date of 30 June 2006.

NOTE 23: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

Reconciliation of equity reported under previous Australian Generally Accepted Principles (AGAAP) to equity under AIFRS.

1. At the end of the last reporting period under previous AGAAP

The adoption of AIFRS has not resulted in any material adjustments to the balance sheet for the last reporting period.

2. Reconciliation of profit for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the income statement.

3. Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

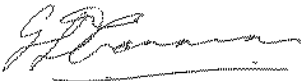
PARADIGM GOLD LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2006

The Directors of the Company declare that:

1. the attached financial statements and notes thereto comply with Accounting Standards;
2. the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company;
3. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*;
4. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
5. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*

This Directors' Declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Graham D Carman

Dated: 26 September 2006

Sydney



Chartered Accountants
& Business Advisers

Independent Audit Report to the Members of Paradigm Gold Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for both Paradigm Gold Limited (the company) and Paradigm Gold Limited (the economic entity), for the year ended 30 June 2006. The economic entity comprises both the company and the entities it controlled during the year.

The company has disclosed information about the remuneration of key management personnel ("remuneration disclosures"), as required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 13 to 14 of the directors report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been identified.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the economic entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

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**Independent Audit Report to the Members
of Paradigm Gold Limited (cont'd)**

We formed our audit opinion on the basis of these procedures, which included:

- a. examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- b. assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion:

1. the financial report of Paradigm Gold Limited and its controlled entities is in accordance with:
 - (a) The Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and economic entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in pages 13 to 14 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

PKF
Chartered Accountants and Business Advisers

Tim Sydenham
Partner

Dated at Sydney this 26th day of September 2006

PARADIGM GOLD LIMITED
CORPORATE GOVERNANCE STATEMENT

The following sets out how the Company is implementing the ASX "Principles of Good Corporate Governance and Best Practice Recommendations" dated March 2003.

Principle 1: Lay solid foundations for management and oversight

The Board has formally retained all functions except those delegated from time to time to the Managing Director. Currently, the following functions are so delegated;

- 1 Management of the Company's exploration program consistent with the plans and budgets approved by the Board.
- 2 Management of the Company's financial records.
- 3 Compliance with all ASIC and ASX reporting requirements, subject to prior Board approval.
- 4 Representation and promotion of the Company to the investment markets.
- 5 Engagement (subject to prior Board approval) of employees and supervision of employees and contractors.
- 6 Management of the Company's occupational health and safety and environmental protection obligations.
- 7 Identification, development and presentation of business development opportunities consistent with the Company's commitments to its stakeholders

A letter of appointment has been entered into between each Director and the Company.

Principle 2: Structure the board to add value

It is recommended by the ASX Guidelines that majority of the Board should be independent Directors. The Company has 2 substantial shareholders, namely Graham Carman (5.59%) and Phillian Pty Ltd (6.37%) a company associated with Mr Richard Austen.

In terms of the ASX Guidelines, Messrs Austen and Carman are not therefore independent Directors but the other Board members (Messrs Soper, Gaskell and Lonergan) are independent Directors.

The letter of appointment for each Director confers the right to seek independent legal advice at the Company's expense, subject to prior agreement of the Chairman which will not be unreasonably refused.

The independent Directors meet from time to time to discuss issues relating the Company without management being present.

The Chairman is not an independent Director in terms of the ASX Guidelines. The Directors believe that any disadvantage in Mr Austen not being technically independent is more than outweighed by the skills and experience he brings to the Company.

The roles of Chairman and Managing Director are exercised by different persons as recommended by the ASX Guidelines.

The Board has not established a Nominations Committee as it considers that there is no current need for such committee. Should a Board vacancy arise, the Board as a whole will meet to decide on an appointee.

The term of office held by each Director as at the date of this report is as follows:

	Date of appointment	Retire by rotation
Mr Austen	12 December 2002	2006 AGM
Mr Gaskell	07 November 2002	2007 AGM
Mr Carman	18 November 2002	Not required to retire
Mr Soper	18 November 2002	2007 AGM
Mr Lonergan	07 November 2002	2006 AGM

Principle 3: Promote ethical and responsible decision-making

The Company has adopted a Code of Conduct and a policy on trading in the Company's securities and these are available on the Company's web site.

PARADIGM GOLD LIMITED
CORPORATE GOVERNANCE STATEMENT

Principle 4: Safeguard integrity in financial reporting

The Board has adopted a policy requiring the Managing Director to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. In addition, standard audit procedures require management to provide a Management Representation Letter relating to these matters. The Board has established a practice of meeting periodically with the Company's Auditors, without management being present, to enable the auditors to freely express any concerns in this area.

The Company has established an Audit Committee comprising the independent Directors being Ray Soper (Chairman), John Gaskell and Stephen Lonergan. The Audit Committee has met twice during the year.

The formal charter of the Audit Committee is to give assurance to the Board that all financial statements and reports to be adopted by the Board are consistent with all applicable reporting requirements and are, in all respects, accurate and not misleading. Additionally, the Audit Committee is the mechanism through which the Company's Auditors will interface with the Board.

Principle 5: Make timely and balanced disclosure

The Company has adopted a formal Continuous Disclosure Policy and this is available on the Company's website.

Principle 6: Respect the rights of shareholder

The Company maintains a website to facilitate shareholder communication and participation and the Company's auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report.

Principle 7: Recognise and manage risk

Risk faced by the Company is a standing agenda item for Board meetings. The suite of risks faced by the Company as a mining exploration entity are comparatively limited and for this reason a formal risk management policy has not yet been adopted. The Board actively discusses specific risks, and puts in place provisions to deal with these risks. An example is that the Company has addressed the risk of being exposed to fraud, and adapted its banking procedures to minimise exposure to this risk. The Company has also put in place insurance to cover this risk. The Board has adopted a requirement that the Managing Director should state to the Board in writing that:

- the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and;

- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

It should be noted that the Company does not maintain a Risk Management Committee because of the simplicity of its operations solely as a mining exploration entity. This function remains with the Board.

Principle 8: Encourage enhanced performance

Each Director has a letter of appointment signed by the Chairman of the Company and, in the case of the Chairman, a letter signed by two Directors each letter includes among other matters, in broad terms, the expertise which relevant Director is expected to contribute to the Board. Annual performance evaluations for the past year have been conducted by reference to attendance, conflict management, performance in the area of expertise, active participation, independent thinking and compliance with Board policies.

PARADIGM GOLD LIMITED
CORPORATE GOVERNANCE STATEMENT

Principle 9: Remunerate fairly and responsibly

The main remuneration issues relate to the salary of the Managing Director, Directors fees, and rates paid to consultants and contractors relating to the provision of their services. These terms are set by reference to market terms paid by similar companies.

The fees paid to Directors are considered appropriate compared with market, the size of the Company, and the requirements for Directors to inform and involve themselves in the affairs of the Company. The aggregate amount payable as Directors fees in any year is a fixed amount (up to \$150,000) approved by shareholders.

Remuneration paid to Directors during the past year is set out in the Remuneration Report contained in the Financial Statements included in this Annual Report.

The Directors consider that the Company does not require a formal Remuneration Committee as it has only one senior employee, the Managing Director.

Non-executive Directors' remuneration is clearly distinguished from that of executives.

No equity based remuneration is provided to any Director or employee.

Principle 10: Recognise the legitimate interests of stakeholders

The Company has adopted a Continuous Disclosure Policy, a Code of Conduct and an Environmental Policy. While the Company does not otherwise have explicit codes of conduct, the small team of Directors are experienced and well aware of their obligations in this regard. As well, the Company is subject to scrutiny and questioning by the auditors and by shareholders at general meetings. It is therefore considered that additional policies are not required at this time.

PARADIGM GOLD LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED JUNE 2006

Paradigm Gold Limited

Analysis of Holdings as at 20 September 2006

(a). Security Holdings

Distribution of Share and Option holders

Paradigm Gold Limited Analysis of Holdings as at 20-09-2006				
Security Classes	Holdings Ranges	Holders	Total units	%
Fully Paid Ordinary Shares	1-1,000	4	1,681	0.004
	1,001-5,000	10	33,879	0.077
	5,001-10,000	140	1,368,083	3.100
	10,001-100,000	154	7,426,852	16.829
	100,001-99,999,999,999	71	35,301,683	79.990
Totals		379	44,132,178	100.000

Paradigm Gold Limited Analysis of Holdings as at 20-09-2006				
Security Classes	Holdings Ranges	Holders	Total units	%
Options - 18.05.08 @ 25c	1-1,000	0	0	0.000
	1,001-5,000	139	692,500	4.624
	5,001-10,000	27	241,950	1.616
	10,001-100,000	94	3,182,345	21.250
	100,001-99,999,999,999	29	10,858,674	72.510
Totals		289	14,975,469	100.000

PARADIGM GOLD LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED JUNE 2006

(b) Unmarketable Holdings

There are currently 154 holders with less than a marketable parcel of 10,000 shares.

Paradigm Gold Limited				
Unmarketable Holdings as at 20-09-2006				
Security Classes	Holdings Ranges	Holders	Total units	%
Fully Paid Ordinary Shares	1-10,000	154	1,403,643	3.181
	10,001- 99,999,999,999	225	42,728,535	96.819
	Totals	379	44,132,178	100.000

(c) The names of substantial shareholders listed in the holding Company's register as at 20 September 2006 are:

Shareholder	Number of ordinary shares
PHILLIAN PTY LTD <AUSTEN FAMILY NO 1 A/C>	2,810,608
GRAHAM DONALD CARMAN	2,466,640

(d) Voting Rights

The voting rights attached to each class of equity security are as follows:

- Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- Options: Do not have voting rights attached.

(e) Restricted Securities

The Company gave notice to the ASX on 13 October 2005 that in accordance with Listing Rule 3.10A, 10,531,605 fully paid ordinary shares (PDMAO) and 1,025,006 options expiring 18 May 2008 exercisable at \$0.25 (PDMAQ) would be released from trading restriction on 18 November 2005. Trading restrictions on these shares and options were removed on or about that date.

PARADIGM GOLD LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED JUNE 2006

(f) 20 Largest Shareholders – Ordinary Shares

Paradigm Gold Limited

Fully Paid Ordinary Shares

Top 20 Holdings as at 20-09-2006

Holder Name	Balance at 20-09-2006	%
PHILLIAN PTY LTD <AUSTEN FAMILY NO 1 A/C>	2,810,608	6.369
MR GRAHAM DONALD CARMAN	2,466,640	5.589
MRS SANDRA ANNE COOMBES <NO 2 ACCOUNT>	1,697,658	3.847
PANSTYN INVESTMENTS PTY LTD	1,673,358	3.792
BARON NOMINEES PTY LIMITED <NO 1 A/C>	1,673,276	3.792
KIZOZ PTY LTD <SUPERFUND A/C>	1,549,650	3.511
ROGO INVESTMENTS PTY LIMITED	1,375,000	3.116
DALWICK PTY LTD <COOMBES SUPER FUND A/C>	1,310,000	2.968
MR NICHOLAS CHARLES RICHARDS	880,750	1.996
GREGORACH PTY LTD	850,000	1.926
GASKELL SUPERANNUATION PTY LIMITED	833,340	1.888
IPSEITY PTY LTD	812,500	1.841
SERLETT PTY LTD <DILIGENT SUPER FUND A/C>	750,000	1.699
TOLTEC HOLDINGS PTY LTD	737,000	1.670
BARON NOMINEES PTY LIMITED <D & D A/C>	700,000	1.586
GECKO RESOURCES PTY LTD	600,000	1.360
HABENA PTY LTD <SPENCER SUPER FUND A/C>	578,000	1.310
MR ALISTAIR BELL	570,840	1.293
MR TERRENCE PETER WILLIAMSON & MS JONINE MAREE JANCEY <THE WILJAN SUPER FUND A/C>	550,000	1.246
MR BERNARD ROWE	524,980	1.190
Total Top 20 Share Holdings	22,943,600	51.988
Total Shares	44,132,178	100.000

PARADIGM GOLD LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED JUNE 2006

(g) 20 Largest Option Holders

Paradigm Gold Limited

Options - 18.05.08 @ 25c

Top 20 Holdings as at 20-09-2006

Holder Name	Balance at 20-09-2006	%
DALWICK PTY LTD <COOMBES SUPER FUND A/C>	1,480,000	9.883
SHELL COVE INVESTMENT CORPORATION PTY LIMITED	1,297,500	8.664
MRS SANDRA ANNE COOMBES <NO 2 ACCOUNT>	890,300	5.945
MR RAUL USED <THE RAUL USED FAMILY A/C>	702,500	4.691
KIZOZ PTY LTD <SUPERFUND A/C>	625,000	4.173
BARON PARTNERS LIMITED	566,667	3.784
PHILLIAN PTY LTD <AUSTEN FAMILY NO 1 A/C>	537,500	3.589
LOTTA NOMINEES PTY LTD	355,000	2.371
MR ROBERT LUKES	354,167	2.365
BARON NOMINEES PTY LIMITED <D & D A/C>	350,000	2.337
MR GREGORY BOYD MOUNT & MRS FIONA ELIZABETH MOUNT <THE MOUNT FAMILY ACCOUNT>	335,000	2.237
HARTLEY PASTORAL COMPANY LIMITED <STAFF SUPER FUND A/C>	333,334	2.226
TIENFA LIMITED	250,000	1.669
MRS JOAN MARGARET CUBBIN	250,000	1.669
SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	250,000	1.669
KAZAKCO PTY LIMITED <KENT FAMILY SUPER FUND A/C>	200,000	1.336
NOVASC PTY LTD <BELLIS AUSTRALIA SUPER A/C>	200,000	1.336
RENILTON PTY LTD <MEDUSA SUPER FUND A/C>	200,000	1.336
BARON NOMINEES PTY LIMITED <BARON A/C>	200,000	1.336
QUEVY HOLDINGS PTY LIMITED	175,000	1.169
Total Top 20 Option Holdings	9,551,968	63.784
Total Options	14,975,469	100.000

PARADIGM GOLD LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED JUNE 2006

(h) **Granted tenements and applications held in a wholly owned subsidiary as at 26 September 2006.**

Project	Interest (%)	Tenement	Location
*North Cadia	100	EL 6588	Orange, NSW
*Guyra	100	EL 5976	Guyra, NSW
*Brown Mountain	100	EL 5980	Bombala, NSW
Brown Mountain	100	EL 6277	Bombala, NSW
*Lighthouse Gully	100	EPM 13878	Taroom, QLD
Auburn-1	100	EPM 15264	Mundubbera, QLD
Auburn-2	100	EPM 15296	Mundubbera, QLD
Auburn-3	100	EPM 15322	Mundubbera, QLD
Jacktim	100	EPMA 15323	Mt Isa Region, QLD
Bluebush	100	EPMA 15324	Mt Isa Region, QLD
Wynberg	100	EPMA 15325	Mt Isa Region, QLD

Note: In respect of tenements marked* the Company is obliged to pay a 2% NSR royalty to Paradigm Geoscience Pty Ltd or its assignee.