Paradigm Gold Limited

ACN 102 747 133

Prospectus

For a non-renounceable rights issue of 1 New Share and 1 New Option for every 4 Existing Shares

19 February 2007

Underwritten by Far East Capital Limited ACN 068 838 193

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It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Application.

A number of terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary.

Money as expressed in this Prospectus is in Australian dollars or else as indicated.

Key Dates for Investors

Announcement of Offer	19 February 2007
Date of Prospectus	19 February 2007
Ex date	21 February 2007
Record Date to determine entitlements under Offer	27 February 2007
Despatch of Prospectus and Entitlement and Acceptance Form	5 March 2007
Opening Date for acceptance	6 March 2007
Last day for acceptance of Application Money	20 March 2007
Shares traded on a deferred delivery basis	21 March 2007
Despatch date	28 March 2007
Normal trading expected to commence for Shares and Options	29 March 2007

Offer Statistics

Approx number of New Shares to be Issued*	11,033,044
Approx number of New Options to be Issued*	11,033,044
Issue Price	$0.15

*: these figures are subject to the effects of rounding. Fractions will be rounded up.

How to Apply for Shares and Options

Applications can be made by completing and returning an Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions on the Form.

If you wish to obtain a free copy of this Prospectus, please contact Graham Carman on 02 9955 7130, or email: info@paradigmgold.com.au.

Important Notice

This Prospectus is dated 19 February 2007 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. Neither the ASIC nor Australian Stock Exchange Limited (**ASX**) take any responsibility for the contents of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Offer is being made in Australia and New Zealand. No Offer will be made in any overseas jurisdiction where it would not be lawful to do so. It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Application.

No person named in this Prospectus, nor any other person, guarantees the performance of Paradigm Gold Limited (**Paradigm**), the repayment of capital or the payment of a return on the Shares or Options.

Please read this document carefully before you make a decision to invest. An investment in the Company has specific risks which you should consider before making a decision to invest.

An investment in these Shares and Options may not be suitable for all shareholders. Shareholders should seek professional advice regarding this investment.

CHAIRMAN'S LETTER

Dear Shareholder,

On 19 February 2007 Paradigm Gold Ltd ("Paradigm") announced its intention to raise approximately $1.65 million by way of a fully underwritten non-renounceable rights issue (the 'Offer'). The Offer under this Prospectus gives Shareholders the opportunity to acquire 1 New Share for every 4 existing Shares held, at a price of $0.15 for each New Share applied for. For every New Share subscribed for, investors will receive 1 New Option for no extra consideration, exercisable at $0.25 on or before 18 May 2008. The New Shares and New Options will be quoted on the ASX.

Far East Capital Ltd ("The Underwriter") has agreed to fully underwrite the Offer, on the terms and conditions described in the Prospectus at Section 6.

Uranium exploration in the Mt Isa region

About half of the funds raised under the Offer will be used to advance the Company's uranium exploration projects in the Cloncurry and Mt Isa regions of Queensland. Paradigm has staked 280 sq km of near contiguous exploration permits (EPM's 15325, 15906, 15931, 16073) covering Mesozoic rocks 30km southeast of Cloncurry prospective for uranium (Figure 1). These areas were staked because of uranium radiometric anomalies observed in airborne geophysical surveys over the area. A previous explorer during the 1970s sampled limestone outcrops and discovered anomalous uranium. The area covered by granted EPMs is 115 sq km. A Native Title agreement has been signed with the indigenous land owners, and the Company expects the remaining permits to be granted shortly giving full access to the project area.

The Bluebush and Jacktim permit applications (EPM's 15324, 15323) cover radiometric uranium and/or magnetic basement anomalies 100km and 150km northwest of Cloncurry, respectively (Figure 1). These permit applications cover 152 sq km, and the Company believes, are prospective for uranium and base-metals. The Company is currently negotiating a Native Title agreement with the indigenous peoples covering both areas, which when signed will fast-track the granting of these permits.

Tungsten exploration in New South Wales

Paradigm has exercised its option to purchase two exploration licences (ELs 6274, 6590) covering 410 sq km prospective for tungsten and base metals at White Rock near Rye Park, central NSW (Figure 2). Based on previous explorers' results, the Company has determined that the White Rock Mineral Resource (indicated and inferred category) consists of 150,000 tonnes grading 0.9% WO_3, equivalent to approximately 40,000 oz of gold at a grade of 9g/t using current metal prices. Paradigm is targeting a mineral resource of 1 million tonnes at a similar tungsten grade which the Company believes could generate strong future cash flow for the Company. Paradigm has identified a large number of exploration targets close to the Mineral Resource which require immediate drill testing.

The Frogmore area within EL 6590 was mined for high-grade copper associated with copper sulphide deposits during the late 1800s. Paradigm will initially conduct a geophysical survey over the local mine area targeting a large sulphide deposit, followed by drilling.

Gold assets

Due to a change in priorities to uranium and tungsten exploration, the Company is seeking to sell or farm-out its 100%-owned gold projects at Lighthouse Gully (EPM 13878) and Auburn (EPMs 15264, 15296, 15322) in Queensland, and North Cadia (EL 6588) and Guyra (EL 5976) in NSW.

Funds required going forward

In order to continue with the business strategy of advancing the Company's uranium and tungsten projects, further funding beyond Paradigm's current cash reserve is required. A significant proportion of the funds will be used on drilling of tungsten and uranium prospects during 2007. At the current planned rate of exploration expenditure, the funding through this Offer together with funds in hand should see the Company soundly funded for at least 18 months.

I am therefore pleased to be able to give Shareholders the opportunity, as described in the Prospectus, to subscribe to this Offer. In the event of Entitlements not being taken up by Shareholders, those shares will be taken up by the Underwriter.

Each of the Directors intends to take up all the Entitlements attaching to Shares in which he has a relevant interest, apart from the Managing Director who will take up all his Entitlements if he secures funding to do so.

This Prospectus provides you with full details of the Offer, and I strongly urge you to carefully read its contents. If you wish to participate in the Offer, it is essential that you complete and return the form accompanying this Prospectus before the Closing Date of 20 March 2007.

Yours sincerely,

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Dick Austen AO

Chairman

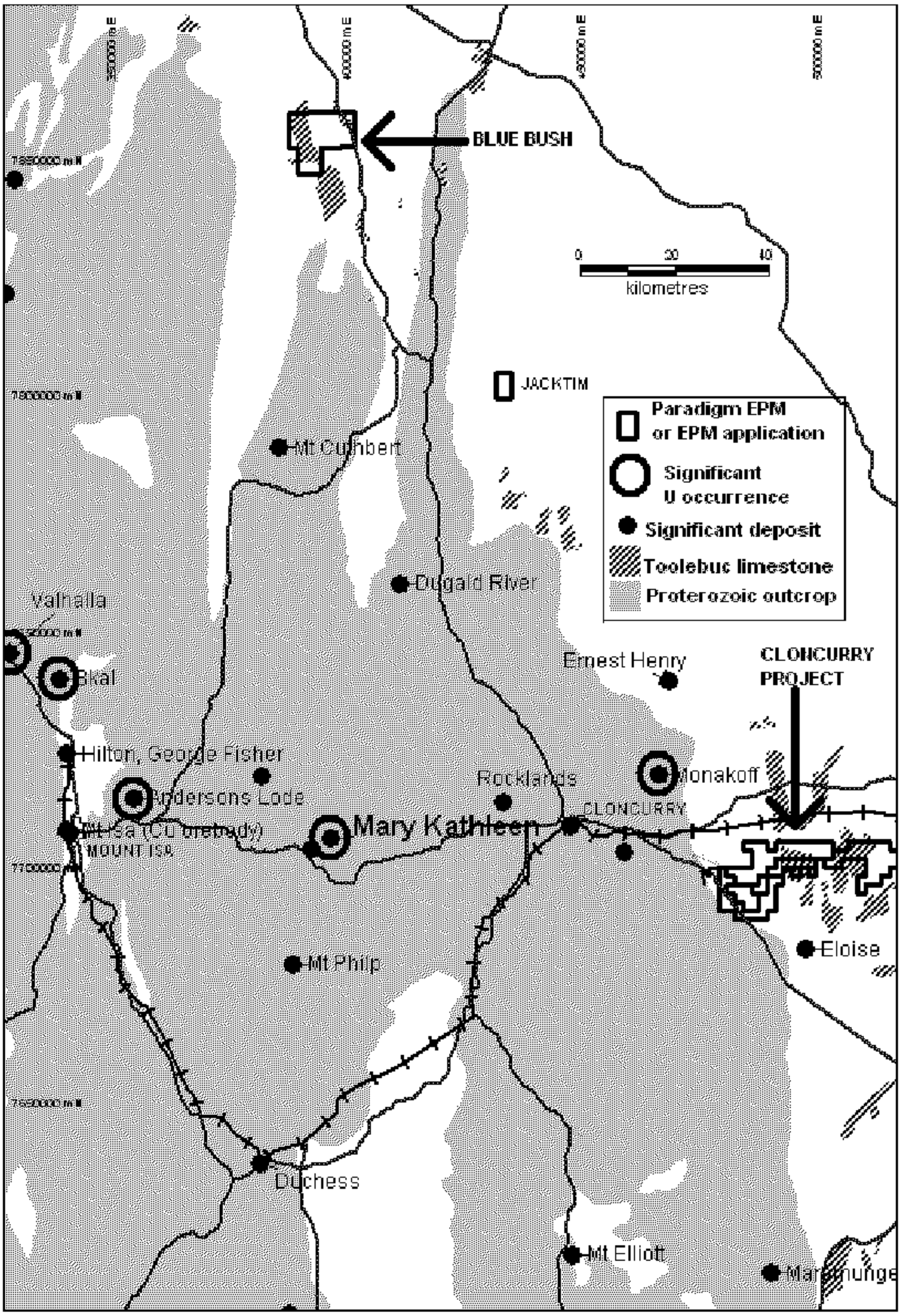

Figure 1. Location map of Paradigm's uranium projects in the Mt Isa region, northwest Queensland.

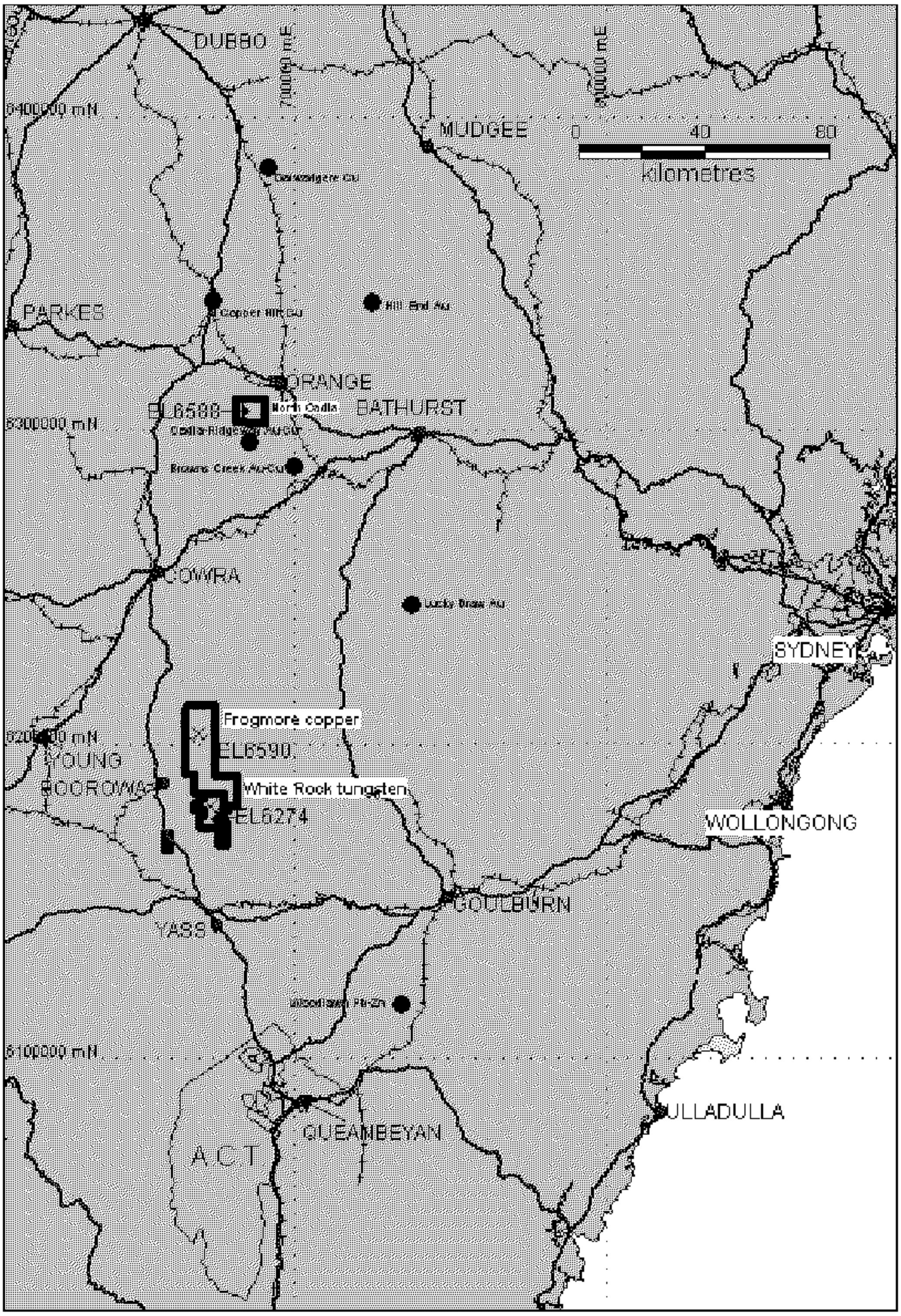

Figure 2. Location map of the White Rock tungsten project, central NSW.

1. INVESTMENT SUMMARY

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

1.1 The Offer

Approximately 11,033,044 New Shares and 11,033,044 New Options, depending on the effects of rounding, in Paradigm on the basis of 1 New Share for every 4 Existing Shares held at the Record Date at an issue price of $0.15 per Share will be offered for subscription.

For every New Share subscribed for under this Prospectus, the investors will receive one New Option for no extra consideration, exercisable at $0.25 on or before 18 May 2008.

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of Shares.

1.2 Applications for Shares and Options

Applications for New Shares and New Options can only be made by completing and lodging an Entitlement and Acceptance Form accompanying this Prospectus. Instructions on how to complete the Entitlement and Acceptance Form are set out on the form.

1.3 Proceeds of the Issue

The expenses of the Issue, including the Underwriter's commissions and fees of ASX, and legal fees are expected to be approximately $150,000. If all Entitlements are taken up, the net proceeds for investment are estimated to be $1,505,000.

1.4 Purpose of the Issue

The Directors intend to apply the proceeds from the Issue as follows:

	$
Uranium exploration Mt Isa region	$670,000
Tungsten - base metal exploration NSW	$580,000
General Working Capital	$255,000
Cost of the Issue	$150,000
Total	**$1,655,000**

1.5 Underwriting

Far East Capital Limited ACN 068 838 193 has agreed to underwrite the Offer in full. The terms of the underwriting agreement are set out in section 6.

2. DETAILS OF THE OFFER

2.1 Important Dates for Investors

Announcement of Offer	19 February 2007
Date of Prospectus	19 February 2007
Ex Date	21 February 2007
Record Date	27 February 2007
Despatch of Prospectus and Entitlement and Acceptance Forms	5 March 2007
Opening Date for acceptance	6 March 2007
Last day for acceptance of Application Money **	20 March 2007
Shares traded on a deferred delivery basis **	21 March 2007
Despatch Date**	28 March 2007
Normal trading of Shares expected to commence	29 March 2007

** Note: the Directors of the Company reserve the right to extend the period for which the Offer is open for acceptance.

2.2 Offer details

Approximately 11,033,044 New Shares and 11,033,044 New Options, depending on the effects of rounding, on the basis of 1 New Share and 1 New Option for every 4 Existing Shares held at the Record Date, to raise up to a total of $1,654,957 at an issue price of $0.15 per Share, will be offered for subscription.

The Offer is non renounceable and is made on the following basis:

- each Shareholder with a registered address in Australia or New Zealand is entitled to subscribe for 1 New Share and 1 New Option for every 4 Shares held as at 5.00 pm (Sydney time) on the Record Date. The number of New Shares and New Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form;

- the application price of $0.15 for each New Share is payable in full on application;

- for each New Share subscribed for the Applicant will receive one New Option for no extra consideration;

- the Closing Date and time for acceptance and payment is 5.00 pm EST on 20 March 2007.

2.3 How to apply for Shares and Options

To participate in the Offer, the Entitlement and Acceptance Form accompanying this Prospectus must be completed in accordance with the instructions on its reverse side. Applications will only be accepted if made on that Entitlement and Acceptance Form. Cheques should be made payable to " Paradigm Share Offer" and crossed Not Negotiable.

Completed Entitlement and Acceptance Forms and cheques for the relevant amount should be posted or delivered to Registries Limited, Level 2, 28 Margaret Street, Sydney, NSW 2000. A pre-addressed, reply paid envelope is provided with the Entitlement and Acceptance Form.

A duly completed and lodged Entitlement and Acceptance Form will constitute an Offer by the Applicant to subscribe for the number of Shares and Options applied for on the terms set out in this Prospectus. The Application list will open at 9.00 am on the Opening Date and will remain open until 5.00 pm (Sydney time) on the Closing Date.

No brokerage or stamp duty is payable by Applicants in respect of their applications for New Shares under this Prospectus. The amount payable on application will not vary during the period of the Offer and no further amount is payable on allotment. Application money will be held in trust in a subscription account until allotment. The subscription account will be established and kept by Paradigm on behalf of the Applicants.

2.4 Applications in Excess of Entitlement

Shareholders may apply for New Shares in excess of their Entitlement. Applications must be made by completing the enclosed form for additional shares accompanied by payment in full for all the Shares applied for. In the event that applications for Shares exceed the total number of Shares available, applications for additional shares will be scaled back at the discretion of the Directors. Subscription moneys for applications which are not met will be promptly returned without interest. Excess Applications which would result in a shareholder holding more than 20% of the Company's Shares will not be accepted.

2.5 ASX Listing

Within 7 Business Days after the date of issue of the Prospectus, Paradigm intends to apply for a listing and quotation of the New Shares and New Options on the ASX. If granted, quotation of the New Shares and New Options will commence in accordance with the timetable set out in section 2.1. It is the responsibility of the Applicants to determine their allocation of New Shares and New Options prior to trading.

Should the New Shares and New Options not be granted Official Quotation on ASX within 3 months after the date of this Prospectus, none of the Shares or Options offered under this Prospectus will be issued and all Application Money will be refunded without interest to Applicants within the time prescribed by the *Corporations Act* 2001.

2.6 Non-qualifying Shareholders

The Offer is not being extended to any Shareholder whose registered address is outside Australia or New Zealand and does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

2.7 Investment risks

Investors should carefully read the section on risk factors outlined in section 4. An investment of this kind involves a number of risks, a number of which are specific to Paradigm and the industry in which it operates.

2.8 CHESS

Paradigm will apply to the ASX for the Shares to participate in the Securities Clearing House Electronic Subregister System known as CHESS. CHESS is operated by the ASX Settlement and Transfer Corporation Pty Ltd in accordance with the ASX Listing Rules and the SCH Business Rules. After allotment of the New Shares, Shareholders who are issuer sponsored holders will receive an issuer sponsored statement and those who are CHESS holders will receive an allotment advice.

The CHESS statements, which are similar in style to bank account statements, will set out the number of Shares allotted to each Share holder pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHESS. Further statements will be provided to holders which reflect any changes in their Share holding in Paradigm during a particular month.

2.9 Taxation

Investors should seek and rely on their own taxation advice regarding an investment in Paradigm. Refer to section 5 for general information regarding taxation issues.

2.10 Market Prices of Shares and Options

The lowest and highest prices of Paradigm's shares on ASX during the 6 months immediately preceding the date of this Prospectus is shown below:-

Highest	2 January 2007	$0.25
Lowest	5 October 2006	$0.045

The last sale price for Shares on the ASX on 14 February 2007 (being the last prior to the date of this Prospectus on which shares were traded) was $0.155.

The lowest and highest prices of Paradigm's Options on ASX during the 6 months immediately preceding the date of this Prospectus is shown below:-

Highest	10 January 2007	$0.08
Lowest	21 September 2006	$0.01

The last sale price for Options on the ASX on 14 February 2007 (being the last day prior to the date of this Prospectus on which Options were traded) was $0.052.

3. FINANCIAL INFORMATION

3.1 Proforma Balance Sheet

To illustrate the effect of the Issue on Paradigm, the pro forma Balance Sheet has been prepared based on the Paradigm Balance Sheet as of 30 June 2006. The Balance Sheet as provided shows the effect of the Offer as if the Offer under this Prospectus had been made on 30 June 2006.

The Proforma Balance Sheet as at 30 June 2006 has been adjusted for the Offer of New Shares and New Options outlined in the Prospectus being approximately 11,033,044 New Shares at an issue price of $0.15 per share raising approximately $1.655 million less costs of $150,000.

The Proforma Balance Sheet has been prepared from the audited consolidated Balance Sheet as at 30 June 2006, adjusted for the following:

- Offer of New Shares and New Options as outlined in the Prospectus. In accordance with the Offer outlined in the Prospectus, Paradigm will issue 11,033,044 New Shares at an issue price of $0.15 per share raising $1.655 million;
- Costs of the offer outlined in the Prospectus. Expenses associated with the Offer estimated to be $150,000 have been charged against the New Shares and reflected in the Proforma Balance Sheet.
- Pursuant to the White Rock Option and Purchase Deed, Paradigm is obliged to reimburse Copper Strike Ltd for its aggregate exploration costs on the White Rock tenements up to a maximum of $100,000, within 30 days after Paradigm completes an equity fundraising of at least $350,000. The $100,000 cost is reflected in the Proforma Balance Sheet.

The Proforma Balance Sheet and the Balance Sheet have been prepared in accordance with the Australian equivalents to international reporting standards (AIFRS). The accounting policies adopted in preparation of the Proforma Balance Sheet are consistent with the policies adopted in the preparation of Paradigm's Financial Statements and as described in Paradigm's Annual Report for the year ended 30 June 2006.

Proforma Balance Sheet as at 30 June 2006.

	Actual 30 June 2006 ($)	Share Issue Adjustments ($)	Proforma 30 June 2006 ($)
Current Assets			
Cash	**1,169,094***	**1,404,957**	**2,574,051***
Other	**67,445**	**-**	**67,445**
Total Current Assets	**1,236,539**	**1,404,957**	**2,641,496**
Non-Current Assets			
Property, Plant and Equipment	**23,650**	**-**	**23,650**
Exploration, Evaluation and Development	**1,799,744**	**100,000**	**1,899,744**
Total Non-Current Assets	**1,823,394**	**100,000**	**1,923,394**
Total Assets	**3,059,933**	**1,504,957**	**4,564,890**
Current Liabilities			
Payables	**46,650**	**-**	**46,650**
Provisions	**1,500**	**-**	**1,500**
Total Current Liabilities	**48,150**	**-**	**48,150**
Non-Current Liabilities			
Provisions	**5,000**	**-**	**5,000**
Total Non-Current Liabilities	**5,000**	**-**	**5,000**
Total Liabilities	**53,150**	**-**	**53,150**
Net Assets	**3,006,783**	**1,504,957**	**4,511,740**
Equity			
Contributed Equity	**5,036,193**	**1,504,957**	**6,541,150**
Accumulated Losses	**(2,029,410)**	**-**	**(2,029,410)**
Total Equity (Note 1 & 2)	**3,006,783**	**1,504,957**	**4,511,740**

*The Company's cash balance at 31 December 2006 was $918,892. The Company's cash expenditures for the period 1 July 2006 to 31 December 2006 are set out in Appendices 5B with the quarterly activity reports lodged with ASX on 31 October 2006 and 31 January 2007, which show that the Company's cash reserves decreased by $250,202 between 1 July 2006 and 31 December 2006.

The following table reconciles the actual cash at bank at 30 June 2006 to the Proforma cash at bank at 30 June 2006.

Cash at bank	
Cash at bank 30 June 2006	1,169,094
Share Issue proceeds pursuant to this Prospectus	1,654,957
Cost of share issue	(150,000)
White Rock Payment	(100,000)
Proforma cash at bank at 30 June 2006	$2,574,051

3.2 Capital Structure

Existing Shares	44,132,178	
New Shares (Note 1)	11,033,044	
Total Shares	**55,165,222**	
Existing Options (Note 2)		14,975,469
New Options		11,033,044
Total Options		**26,008,513**

Note 1: The Company has agreed that subject to any necessary shareholder approval, the Underwriter may, in consultation with the Directors, at its election place up to a further 5.5 million Shares and 5.5 million Options at the Issue Price within 2 weeks after the Closing Date. See section 6 for further details. The number of shares does not take into account this potential additional issue.

Note 2: The Total Equity in the Proforma does not take into account five million unlisted options that have a three year term and exercise price of $0.075 cents that will be issued to Copper Strike Ltd upon the transfer of the White Rock Tenements to the Company. This is not expected to occur before the Record Date. See section 6 for further information.

4. RISK FACTORS

4.1 Introduction

An investment in Paradigm involves a degree of risk particularly having regard to the stage of Paradigm's business development.

There are a number of factors that may have a material adverse effect on Paradigm's future operating and financial performance. The principal risk factors are described below. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of Paradigm and cannot be mitigated.

You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus before you decide whether to apply for New Shares.

4.2 General market risk

Investors should recognise that the price of Shares may fall as well as rise. In particular, the trading price of Shares at any given time may be higher or lower than the price paid to acquire New Shares under this Offer. Correspondingly the price of Options may fall as well as rise.

Many other factors will affect the price of the Shares, including general fluctuations in the performance of local and international stock markets, movements in interest rates and exchange rates, general economic conditions and investor sentiment.

4.3 Taxation considerations

A general outline of the taxation consequences of investing in Shares is set out in section 5. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their own individual taxation position.

4.4 General risk factors

Paradigm is exposed to a number of general risks that could affect its assets and liabilities, financial position, profits and losses and prospects. In common with other enterprises undertaking business in the mining sector, some risks are substantially outside the control of the Company. These include, in no particular order of priority, the following:

(a) changes in the general economic outlook both in Australia and globally may have an impact upon the performance of the Company. Such changes may include:

   (i) contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);

   (ii) increases in expenses including costs of goods and services used by the Company;

   (iii) new or increased government taxes or duties or changes in taxation laws including imposts such as royalties, charges and taxes affecting mining activities; and

   (iv) strength of the equity and share markets in Australia and throughout the world.

(b) reductions in the prevailing prices for the commodities (gold, base metals and uranium) which are the current focus of the Company's exploration efforts.

4.5 Specific factors

(a) Exploration for minerals is speculative and involves significant degrees of risk. There is no guarantee that exploration on Paradigm's tenements, or on other tenements that may be acquired in the future, will lead to the discovery of mineral resources that can be economically exploited.

(b) Mineral resource and reserve estimates are expressions of judgment based on knowledge, experience and industry practice. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Estimates that were reasonable when made may change significantly when new information from additional drilling and analysis becomes available. This may result in alterations to development and production plans which may, in turn, adversely affect operations.

(c) If Paradigm achieves exploration success that leads to a decision to develop production operations, the development and ongoing production from such operations may be adversely affected by various factors, including failure to achieve predicted production rates, mechanical failure or plant breakdown; unanticipated processing and ore metallurgy problems, adverse weather conditions, industrial and environmental accidents, industrial disputes, delays due to government actions, infrastructure availability and unexpected shortages or increases in the costs of consumables, spare parts, labour, plant and equipment.

(d) Paradigm's projects are subject to relevant environmental legislation and will themselves have varying levels and types of potential impact on the natural environment. It's projects will be subject to laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials, and these will be dealt with in the normal course of operations.

In general terms, the minerals industry has become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk.

Exploration work will be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored, and as far as possible, minimised. While Paradigm is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been completed to date, and discovery of such could limit or even prevent further work in certain areas.

(e) Changes in the general economic climate in which Paradigm operates may adversely affect the financial performance (ie future costs and revenues) of the Company and the value of its mineral assets. In particular, changes in the current and expected future price of uranium, tungsten, copper, silver, gold and other commodities can change rapidly and significantly and this can have a substantial effect on the value of Paradigm's assets and the potential future revenue and profits that might be earned from any successful development of those assets.

(f) Commodity prices are influenced by many factors affecting their demand and supply including global industrial production levels and economic sentiment, inflation and interest rates, industrial disputes, wars and other military activity, technological advancements, market trading activities, government environmental policies, infrastructure investment, weather conditions and general exploration success.

(g) The availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations may reduce the availability of equipment and services to Paradigm. The reduced availability of equipment and services may delay its ability to exploit reserves and adversely affect Paradigm's operations and ultimate profitability.

(h) Paradigm competes with other companies, including mineral exploration and production companies. Some of these companies have greater financial and other resources than

Paradigm. As a result, such companies may be in a better position to compete for future business opportunities and there can be no assurance that Paradigm can compete effectively with these companies.

(i) Tenements are granted subject to various conditions. Failure to comply with expenditure or other conditions on which the Tenements are held exposes the Tenements to forfeiture.

(j) The success of the Company in part will depend on the ability of Paradigm's executive personnel and Directors to develop Paradigm's project portfolio and enhance project value. Should one or more of the key personnel cease to be involved, for whatever reason, then the capability of Paradigm may be expected to be impaired pending a suitable replacement being identified and retained by the Company.

4.6 Implications of Shareholders not taking up their entitlements

Existing Shareholders interests will be diluted if they do not take up their Entitlements under the Offer.

5. SUMMARY OF AUSTRALIAN TAXATION ISSUES

5.1 Australian Taxation Implications

The following comments concerning the taxation implications arising for Shareholders are general in nature and deal only with Australian tax implications.

These comments do not apply to Shareholders which are banks, insurance companies or taxpayers that carry on a business of trading in shares, or hold Shares, Options or Entitlements on revenue account.

These comments are based on the law in Australia in force at the time of issue of this Prospectus. The precise implications will depend upon each Shareholder's specific circumstances. **All persons should seek and rely upon their own taxation advice before concluding on the possible tax consequences.**

Capital gains are taxed in Australia. A capital gain generally arises when an asset is disposed of and the capital proceeds exceed the cost base of acquiring the assets. Conversely, a capital loss generally arises if the reduced cost base exceeds the capital proceeds received. Any New Shares or New Options, are assets for capital gains tax purposes.

A net capital gain (i.e. total capital gain less current year and prior year capital losses) is generally included in the assessable income of the taxpayer, and the taxpayer may be subject to tax on the net capital gain. The amount of tax payable will depend upon the particular taxpayer's income tax profile. For instance, an individual may have to pay tax of up to 45% plus the Medicare Levy on any net capital gain. A company may have to pay tax of 30% on any net capital gain.

5.2 Granting of Entitlements

The granting of the Entitlements to Shareholders should not constitute a dividend for income tax purposes nor should it of itself give rise to any income tax or capital gains tax liability for those Shareholders.

5.3 If you take up your Entitlements

If you exercise all or part of your Entitlements, this should not give rise to any income tax or capital gains tax liability to you.

5.4 If you do not take up your Entitlements

If you do not exercise your Entitlements, either partly, or in full, or if you do nothing by 5.00 pm (Sydney time) on 20 March 2007, this should not give rise to any income tax or capital gains tax liability for you.

5.5 Acquisition of New Shares by taking up your Entitlements

Your existing Shares were acquired or deemed to be acquired, on or after 20 September 1985, and therefore you should receive a cost base for the New Shares equal to the amount you paid to acquire the New Shares plus any non-deductible incidental costs you incurred to acquire them.

5.6 Acquisition of New Options

For every New Share you acquire by taking up your Entitlements, you will also receive a New Option for no additional consideration. The grant of the New Options will not of itself give rise to any income tax or CGT liability.

5.7 Disposal of New Options

If you later exercise your New Options any capital gain is disregarded for CGT purposes.

However, if you sell your New Options a capital gain is likely to arise equal to the consideration received on disposal.

If the New Options are cancelled or lapse without being exercised no income tax or CGT implications will arise provided you do not receive any consideration for the cancellation or lapsing of the New Options.

5.8 Cost base issues

Each New Share you acquire is a separate CGT asset. As you may have paid different amounts to acquire shares in Paradigm at various points in time, it will be necessary to keep records of the number of Shares bought, the time of acquisition and the cost per Share of each tranche of Shares.

If you sell your Shares, the Commissioner will generally accept a first in- first out (FIFO) methodology for calculating any capital gain or loss arising from the sale.

5.9 Disposal of New Shares

If you are an Australian resident for tax purposes and you dispose of any New Shares acquired on exercising the Entitlements, prima facie a capital gain will arise if the capital proceeds received for the disposal of the New Shares exceed your cost base for the New Shares. The disposal may give rise to a capital loss if the capital proceeds received for the disposal of the New Shares is less than your reduced cost base for the New Shares.

The New Shares that you acquire as a result of the exercise of Entitlements will be treated for capital gains tax purposes as having been acquired by you on the day on which you exercise the Entitlements.

Any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses, if the New Shares were held for at least 12 months before disposal. For a complying superannuation entity, any capital gain may be reduced by $33^1/_3$%, after offsetting current year or prior year capital losses, if the New Shares were held for at least 12 months before disposal.

5.10 Stamp Duty

No stamp duty will be payable at the time of subscription for the New Shares and no stamp duty will be payable on the future disposal of the New Shares or New Options which will be quoted on the ASX.

5.11 Goods and Services Tax

The New Shares or New Options you acquire as a result of the exercise of the Entitlements will be classified as a "financial supply", for Australian Goods and Services Tax (Australian GST) purposes. As such, Australian GST of 10% will not apply to any Application Monies applicants pay in consideration for New Shares issued on exercise of the Entitlements.

In respect of all other matters and transactions arising under this Prospectus, the Australian GST implications may vary depending upon your Australian GST registration status and residency status. You should seek independent advise in relation to your individual Australian GST position.

6. ADDITIONAL INFORMATION

6.1 Transaction specific Prospectus

Paradigm is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the *Corporations Act 2001*. Under those obligations, Paradigm is obliged to comply with all applicable continuous disclosure and reporting requirements in the ASX Listing Rules.

This Prospectus is issued under section 713 of the *Corporations Act 2001*. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities which are continuously quoted securities. Apart from formal matters this Prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to, the Shares and Options of the Company.

Copies of the documents lodged by Paradigm with ASIC may be obtained from, or inspected at an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date in relation to this Prospectus:

(i) audited financial statements for the Company for the year ended 30 June 2006;

(ii) any other financial statements lodged in relation to Paradigm with ASIC and any continuous disclosure notices given by Paradigm to ASX, in the period starting immediately after lodgment of the annual financial statements of Paradigm and ending on the date of lodgment of this document with ASIC being the following announcements:

• 15/02/2007 – Request for Trading Halt
• 07/02/2007 – JAG: PDM withdraws from Mt David
• 06/02/2007 - Final Directors Interest
• 01/02/2007 - Retirement of Mr Soper as Director
• 30/01/2007 - Second Quarter Activities and Cashflow
• 10/01/2007 - Boardroom audio broadcast
• 10/01/2007 – Uranium permits granted and Tungsten Project update.
• 21/12/2006 – Uranium and tungsten presentation
• 15/12/2006 – Uranium project update and Tungsten option exercise
• 28/11/2006 - Uranium exploration targets – NW Queensland
• 16/11/2006 – Chairman's Address to shareholders
• 16/11/2006 – Results of AGM
• 31/10/2006 – First Quarter activities and cash flow report
• 11/10/2006 – Annual Report 2006
• 11/10/2006 – Notice of Meeting

6.2 Rights and liabilities attaching to New Shares

The rights attaching to ownership of the Shares of the Company arise from a combination of the following:

(i) the Constitution of the Company; and

(ii) in certain circumstances, regulated by the *Corporations Act* 2001, the ASX Listing Rules, the SCH Business Rules and the general law.

A summary of the more significant rights attaching to the Shares of the Company is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

- *Notice of meetings*

Each Shareholder is entitled to a least 28 days written notice of a meeting of members of the Company. Shareholders are also entitled to all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the *Corporations Act 2001* and the ASX Listing Rules.

- *Voting rights*

Subject to the Constitution and to any rights and restrictions attaching to any class of shares, at meetings of Shareholders or other classes of shareholder, each shareholder entitled to attend and vote may attend and vote in person or by proxy or by attorney and, where the shareholder is a body corporate, by representative.

On a show of hands every Shareholder present having the right to vote at the meeting has 1 vote. On a poll every Shareholder present has 1 vote for each fully paid Share and, the case of partly paid Shares or Share held by the Shareholder, a fraction of a vote equivalent to the proportion which the amount paid (but not credited) is of the total amounts paid and payable (excluding amounts credited) on the Share or Shares held.

- *Dividends*

Subject to the *Corporations Act 2001* and to any special rights or restrictions attached to any Shares, Directors may from time to time authorise the Company to pay interim and final dividends which appear to the Directors to be justified by the profits of the Company.

- *Transfer of the Shares*

Transfer of Shares may be effected by a ASTC regulated transfer or or by an instrument of transfer in any usual or common form approved by the Directors.

- *Refusal to register*

The Directors may refuse to register any transfer of Share or other securities where permitted to do so by the ASX Listing Rules or the SCH Business Rules on grounds including the following: the transfer is not in registrable form, the Company has a lien on the shares, registration is a breach of Australian law or the transfer is not permitted under the terms of an employee share plan or the company is otherwise permitted or required to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must within the time required by the Corporations Act and Listing Rues give to the lodging party written notice of the refusal and the reasons for it.

- *Winding up*

If a company is wound up the liquidator may, subject to a special resolution of the company, divide the assets of the company amongst the members and may determine how the division will be carried out as between members and different classes of members.

- *Variation of rights*

The rights attached to any class of share of the Company may, unless their terms of issue state otherwise, be varied or cancelled with the written consent of the holders of three quarters of the issued shares of the class or by a special resolution passed at a separate meeting of the shareholders of the class.

The rights conferred on holders of shares which are not Shares and which have preferential or other special rights will not, unless otherwise expressly provided by their respective terms of issue, be taken to be varied or abrogated by the issue of more Shares or the conversion of securities to new securities which rank equally with or in priority to those Shares.

6.3 Terms of New Options

The terms and conditions of the New Options are summarised below:

- the New Options expire at 5pm Eastern Standard Time (EST) on 18 May 2008 (Expiry Date). Any New Option which has not been exercised prior to the Expiry Date automatically lapses;
- each New Option entitles the holder to subscribe for one Share upon payment of the exercise price of $0.25 to the Company;
- the New Options are exercisable in whole or in part, by notice in writing to the Company, at any time prior to the Expiry Date;
- holders of New Options will be permitted to participate in issues of securities on the prior exercise of the New Options in which case the Option holders will be afforded at least ten business days notice prior to and inclusive of the record date (to determine entitlements to the issue), to exercise the Options;
- Shares issued on exercise of the New Options will be issued not more than ten business days after receipt of a properly executed "Form of Notice of Exercise of Options";
- Shares allotted or issued pursuant to the exercise of New Options will rank equally with the then issued ordinary shares of the Company; and
- in the event of any reconstruction (including consolidation, subdivision, reduction or return) of issued capital of the Company, the number of New Options or exercise price of New Options, or both, shall be reconstructed in a manner provided by the ASX Listing Rules.

A Form of Notice of Exercise of Options (required to exercise the Options issued pursuant to this Prospectus) will accompany each Option holder's holding statement upon issue of the New Options. This Form will contain a full statement of the terms of the New Options.

6.4 Material Agreements

Underwriting Agreement

The Company and Far East Capital Limited (Underwriter) have signed an underwriting agreement pursuant to which the Underwriter has agreed to underwrite any shortfall in the Issue. The Underwriter shall charge a fee of 6% of the total raised under the Offer. The Underwriter may terminate its underwriting obligation in the event of any of the following.

(a) ASX announces or makes a statement to any person that the Company will be removed from the official list of ASX or its shares will be suspended from quotation, or removes the Company from the official list or suspends its securities, other than in relation to any trading halt or suspension (or announcement by ASX of such trading halt or suspension) made in accordance with the agreement of the Underwriter;

(b) There is a material adverse change, or there is a development involving a prospective material adverse change, in the financial position, results, operations, assets, losses, liabilities, business, performance, profits, losses, value or prospects of the Company other than where the same arises due to facts or circumstances beyond the control of the Company, acting reasonably;

(c) The ASX All Ordinaries Index or the Dow Jones Industrial Average Index falls by an amount that is 5% or more of the level of that index as at the date of execution of this Agreement and remains below that level for two trading days prior to the Closing Date;

(d) The ASX Base Metals Index falls by an amount that is 5% or more of the level of that index as at the date of execution of this Agreement and remains below that level for two trading days prior to the Closing Date;

(e) A major outbreak of hostilities not presently existing (whether or not war has been declared) other than East Timor, Papua New Guinea, Solomon Islands or any other Pacific nation, or a major escalation of existing hostilities (whether or not war has been declared) occurs, or a national emergency is declared by Australia, a neighbouring country [other than East Timor, Papua New Guinea, Solomon Islands or any other Pacific nation], or any substantial economic country, or a significant act of terrorism or substantial civil or political unrest occurs anywhere in the world, in each case the effect of which is such as to make it, in the reasonable judgement of the Underwriter, likely to materially and adversely affect the trading price of the Shortfall Shares on the ASX;

(f) An event set out in section 652C of the *Corporations Act 2001* (Cth) (***Corporations Act***) occurs;

(g) The Company is or becomes unable to pay its debts when they are due or is or become unable to pay its debts within the meaning of the *Corporations Act* or is presumed to be insolvent under the *Corporations Act*;

(h) There is a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom;

(i) There is a suspension or material limitation of trading for a continuous period of not less than 3 business days in all securities quoted or listed on ASX, the New York Stock Exchange or the London Stock Exchange.

The Underwriter may, in consultation with the Company, at its discretion place up to a further 5.5 million shares and 5.5 million options on the terms of the Offer within 2 weeks after the Closing Date. Such right of election is subject to any necessary shareholder approval and the Underwriter not having terminated its underwriting obligations.

White Rock Agreement

The Company is party to an agreement with Copper Strike Ltd pursuant to which it has exercised an option to acquire the White Rock Tenements Exploration Licenses EL 6274 and EL 6590. Application to transfer these tenements has been lodged with the Department of Primary Industry. When this transfer is registered the Company will issue to Copper Strike Ltd 5 million options having a three year term and an exercise price of $0.075. The issue is not expected to occur before the Record Date. The acquisition is subject to further payments contingent upon the happening of certain events as set out in the Company's ASX disclosure of 31 October 2006.

6.5 Directors' interests

The nature and extent of the interest (if any) that any of the Directors of the Company holds, or held at any time during the last 2 years in:

(a) the formation or promotion of the Company;

(b) property acquired or to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

is set out below.

Other than as set out below or elsewhere in this Prospectus, no-one has paid or agreed to pay any amount, and no-one has given or agreed to give any benefit to any director or proposed director:

(a) to induce them to become, or to qualify as, a director of the Company; or

(b) for services provided by a Director in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

Set out below are details of the interest of the Directors in the securities of the Company immediately before lodgement of the Prospectus with ASIC. Interest includes those held directly and indirectly or through an associate. The table does not take into account any New Shares or New Options the Directors may acquire under the Offer.

Director	Number of Shares	Number of Options
Richard Austen	2,810,608	870,834
Graham Carman	2,466,640	66,670
John Gaskell	833,340	66,670
Stephen Lonergan	450,000	-

6.6 Interests of experts and advisers

This section applies to persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoters of the Company and stockbrokers or arrangers (but not sub-underwriters) to the Offer (collectively **Prescribed Persons**).

Other than as set out below or elsewhere in this Prospectus, no Prescribed Person has, or has had in the last 2 years, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired in connection with the formation or promotion of the Company or the Offer; or
- the Offer of Shares under this Prospectus.

Other than that as set out below or elsewhere in this Prospectus, no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with the:

- formation or promotion of the Company; or
- offer of Shares under this Prospectus.

Dibbs Abbott Stillman Lawyers have acted as lawyers to the Offer and have performed work in relation to due diligence enquiries for which it will be paid $20,000 plus disbursements.

Far East Capital Limited will be paid the underwriting fee set out in section 6.4.

6.7 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are $150,000.

6.8 Consents and disclaimers

Written consents to the issue of this Prospectus have been given and at the time of this Prospectus have not been withdrawn by the following parties.

Registries Ltd has given and, as at the date hereof, has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. Registries Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as share registrar to the Company. Registries Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Dibbs Abbott Stillman Lawyers has given and has not withdrawn its consent to be named in this Prospectus as lawyers to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

PKF Chartered Accountants has given and has not withdrawn its consent to be named in this Prospectus as Auditors to the Company in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Far East Capital Limited has given and has not withdrawn its consent to be named in this Prospectus as Underwriters to the Offer in the form and context in which it is named.

6.9 Directors' statement

This Prospectus is issued by Paradigm Gold Limited. Each Director has consented to the lodgment of the Prospectus with ASIC.

Signed on the date of this Prospectus on behalf of Paradigm Gold Limited by

Graham D Carman

Managing Director

7. DEFINITIONS AND GLOSSARY

Terms and abbreviations used in this Prospectus have the following meaning:

Applicant	a person who submits an Application;
Application	an application for Shares and Options under this Prospectus;
Entitlement and Acceptance Form	an application form in the form accompanying this Prospectus;
Application Money	the Issue Price multiplied by the number of New Shares applied for;
ASIC	Australian Securities & Investments Commission;
ASX	Australian Stock Exchange Limited;
Business Day	a trading day as defined in the ASX Listing Rules;
Closing Date	the date by which valid acceptances must be received by the Share Registrar being 20 March 2007 or such other date determined by the Board;
Company or Paradigm	Paradigm Gold Limited ACN 102 747 133;
Directors or Board	the board of directors of Paradigm for the time being;
Entitlement	the entitlement to take up New Shares and New Options under the Offer;
Ex Date	date at which securities are quoted on an ex basis being 21 February 2007;
Existing Shares	the Shares on Issue at the Record Date;
Issue	the issue of Shares in accordance with this Prospectus;
Issue Price	$0.15 for each Share applied for;
Listing Rules	the official listing rules of ASX;
New Shares	the 11,033,044 Shares offered under this Prospectus;
New Options	the 11,033,044 options the terms of which are set out in section 6.
Offer	the Offer of approximately 11,033,044 New Shares and 11,033,044 attaching New Options, depending on the effects of rounding, pursuant to and in accordance with this Prospectus;

Official Quotation	quotation on the official list of entities that ASX has admitted and not removed;
Opening Date	the date the offer opens, expected to be 6 March 2007;
Options	means listed options over Shares;
Prospectus	this Prospectus dated 19 February 2007 as modified or varied by any supplementary prospectus made by Paradigm and lodged with the ASIC from time to time and any electronic copy of this Prospectus and supplementary Prospectus;
Record Date	the date to identify shareholders entitled to participate in the Offer being 27 February 2007;
Register	company register of Paradigm;
Securities	has the same meaning as in section 92 of the *Corporations Act* 2001;
Shares	ordinary fully paid shares of the Company;
Underwriter	Far East Capital Limited ACN 068 838 193.

8. CORPORATE DIRECTORY

Paradigm Gold Limited	Directors	Company Secretary
Suite 202 122 Walker St North Sydney NSW 2060	Richard Austen (Chairman) Graham Carman John Gaskell Stephen Lonergan	Stephen Lonergan
Auditor	**Solicitors to the Issue**	**Share Registry**
PKF Level 10 1 Margaret Street Sydney NSW 2000	Dibbs Abbott Stillman Lawyers Angel Place 123 Pitt Street Sydney NSW 2000 Tel: (02) 8233 9500 Fax: (02) 8233 9555	Registries Ltd Level 2 28 Margaret Street Sydney NSW 2000
Underwriter		
Far East Capital Limited		