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ASX / Media Announcement **2 December 2010**

Drilling recommences at Yellow Mountain gold project

- **Drilling has now recommenced at the Yellow Mountain project, near Condobolin NSW, which hosts a number of exciting underexplored gold prospects. The area surrounding Yellow Mountain is now heavily pegged by major mining companies.**
- **The drill program will begin with up to 2000m of air-core at the Quarry Hill prospect, which once completed, will allow the Company to exercise its option on EL 6325.**
- **Air-core drilling will initially take place along old costean lines which returned encouraging, continuous gold intervals including 85m @ 0.5g/t Au and 45 m @0.74g/t Au.**
- **Deep percussion drilling will follow-up the air-core in early 2011.**

Numerous gold drill targets

Paradigm Metals Limited **(ASX: PDM)** (Paradigm) is pleased to report that drilling has recommenced at the Yellow Mountain gold project, EL 6325, 70km northwest of Condobolin, New South Wales. Yellow Mountain is located in a highly prospective part of the Lachlan Fold Belt of NSW, sandwiched between Rio Tinto's Northparkes porphyry copper mines and the copper-gold mines at Cobar. The area has been heavily pegged by major resources companies including Oz Minerals – **see Figure 1**.

The main targets at Yellow Mountain are shallow, disseminated gold deposits, associated with deep-seated mineralizing intrusions. A number of gold prospects have been identified in the past, but in Paradigm's belief these prospects are significantly underexplored. Costean samples collected across the Quarry Hill prospect include 85m @ 0.5g/t Au and 45m @ 0.74g/t Au, a prospect that has received only minor past drilling. This prospect will be the focus of the air core drilling through to the end of December. Other prospects to be drilled later include Quarry Hill South, which has a previous drill intercept of 16m @ 2.7g/t Au. Also, an adjacent tenement application (ELA 4001) contains several gold targets which the Company will explore early next year following grant– see Figure 1.

Initial Air Core Drilling to Exercise Option

The first 1700m of the drill program will be using the air core drill technique, with each hole to be drilled to its maximum 'refusal' depth estimated to be between 10m and 80m depending on the rock hardness. The air core holes will initially be drilled along the old costean traverses – **see Figure 2.**

Following this, Paradigm will then be entitled to exercise its option to earn a minimum 30% joint venture interest in EL 6325 by spending an additional $300,000 on exploration as soon as possible, including the drilling of deeper RC percussion holes and possibly diamond drilling in early 2011. Once Paradigm reaches a 30% interest in EL 6325 (by 31 March 2012 at the latest) it then has the right to earn up to a 51% interest by spending a further $500,000 by 31 March 2013.

For further information please contact the Managing Director, Graham Carman: ph (61-2) 9955 7130

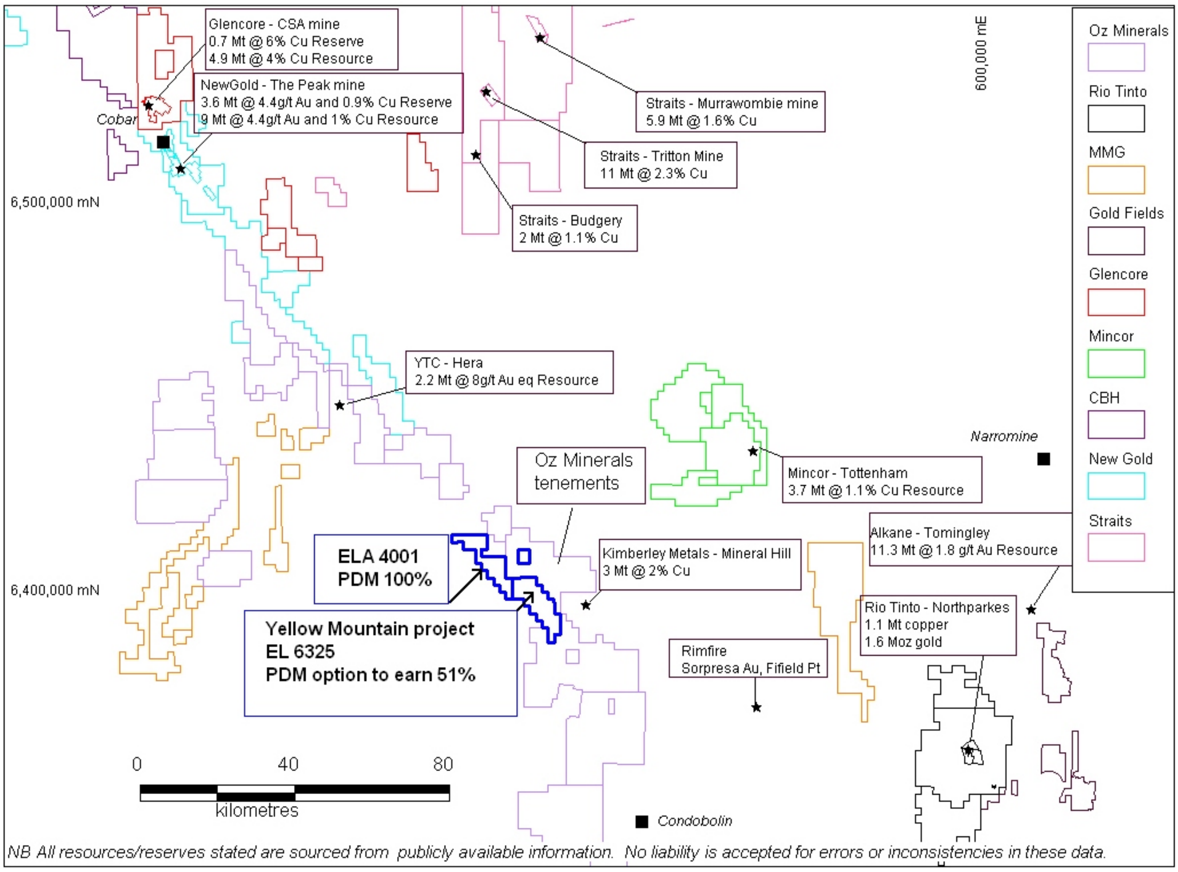

Figure 1. Map showing granted exploration licences belonging to major mining companies in the central west region of NSW. The Yellow Mountain project (EL 6325) and ELA 4001 (PDM 100%) are shown.

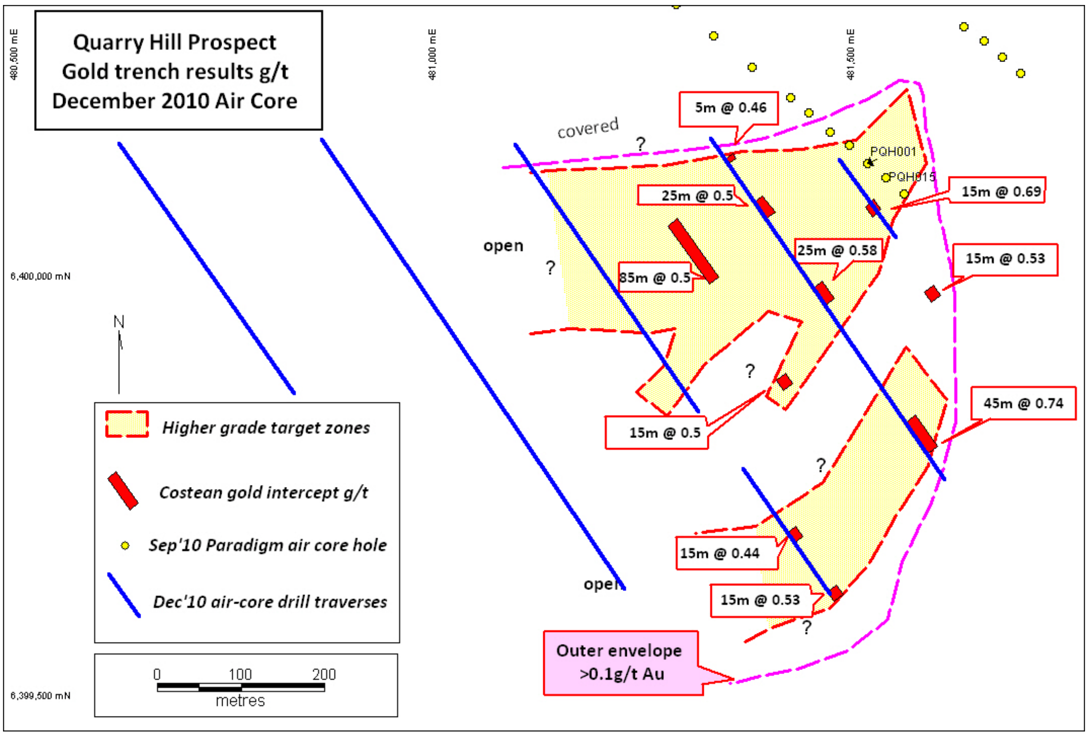

Figure 2. Planned December 2010 air-core drill traverses, Quarry Hill prospect.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Graham Carman who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Carman is a full-time employee of the Company, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Carman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
