Paradigm Metals
ABN 28 102 747 133

Ph: 61-(0)2 9955-7130 | Fax: 61-(0)2 8920-3576
Email: info@paradigmmetals.com.au
Postal Address: Suite 202, 122 Walker St
North Sydney, NSW 2060
Website: www.paradigmmetals.com.au

ASX ANNOUNCEMENT **31 JANUARY 2011**

Quarterly Activities Report for the period ending 31 December 2010

HIGHLIGHTS

Rare Earth Elements found at Toolebuc project, Cloncurry QLD (PDM 50%)

- A rare earth element (REE) drill intersection of 4m @ 2590 total REE from 37-41m was made in an air core hole at the Toolebuc joint venture (PDM 50%: EXS 50%), near Cloncurry Queensland.
- Rare earth mineralisation occurs in a soft carbonate-rich intrusive rock with minor zinc mineralisation, at the contact with younger cover.
- Further mineralogical testing is being conducted on the drill materials. Follow-up drilling will occur as soon as access permits.

Extensive gold zone discovered at Yellow Mountain, NSW (PDM earning 51%)

- An extensive, near-surface oxide gold zone was discovered by air core drilling at the Quarry Hill prospect, covering 500m by 100m remaining open along strike and down-dip.
- Higher-grade drill intercepts from the main target zone include:
  - 36.5m @ 0.50g/t from 0m, including 4m @ 2.4g/t from 20m in PQH029;
  - 40m @ 0.50g/t from 0m, including 4m @ 2.0g/t from 4m in PQH044;
  - 8m @ 1.0g/t from 10m in PQH028; and
  - 10m @ 0.64g/t from 26m in PQH030.
- Paradigm has now exercised its option to earn up to a 51% interest in the Yellow Mountain project EL 6325;
- A 1500-metre 10 to 15 hole RC percussion drill program is in progress. Full results are expected by late February.
- New tenement: Exploration licence application ELA 4001 (PDM 100%) immediately adjacent to the Yellow Mountain tenement has been offered for grant. Exploration will begin there shortly.

Corporate

- A fully underwritten Rights Issue and Placement was completed during the quarter raising $1.1 million.
- The Company's 2010 Annual General Meeting was held on 17 November. All resolutions were unanimously passed.

Toolebuc Joint Venture, Cloncurry Queensland (PDM 50%)

Significant Rare Earth Intersection

The Toolebuc joint venture (Paradigm 50%: Exco Resources 50%) completed a reconnaissance air core drill program on EPM 16073 near Cloncurry in late November 2010, targeting base metal mineralisation under shallow cover. Results for rare earth elements (REEs) have only recently been received. Thirteen holes were completed for 681m advance, on roughly 1km drill hole spacings. One of these holes, LEV002, intersected REE mineralisation in carbonate-rich intrusive rocks at the contact with younger sedimentary cover. The REE intercept was **4m @ 2590ppm (2.59 kg/t) combined REE from 37-41m.**

This is an exciting discovery, as REE minerals are becoming increasingly sought after for a wide range of uses in the high technology industry, and many of the minerals have a high market value. REE mineralisation in LEV002 is mostly a combination of lanthanum (La), neodymium (Nd) and yttrium (Y). Minor quantities of heavy REEs also occur– see table 1 for a full suite of REE analyses.

LEV002 is also anomalous in zinc. The 4m interval from 37-41m graded 0.32% Zn, while the 21m interval from 37-58m contained 0.16% Zn. The zinc mineral is believed to be sphalerite. Other base metals (including Cu and Pb) were low, as was uranium (4ppm) and thorium (13ppm).

Table 1. Rare earth element results and selected other elements from drill hole LEV002 based on 4m composite samples

	Depth			Light REEs									Heavy REEs					
SampleID	From m	to m	int	Y	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu	Total REE	Ca	Zn
				ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm
58006	33	37	4	61.4	40.3	71.5	8.7	36.9	7.9	1.7	9.3	1.6	10.3	2.1	6.3	0.9	5.7	0.8	265.4	0.36	250
58007	37	41	4	**552**	**846**	**116**	**149**	**556**	**88.7**	**17.2**	**94.5**	**13.9**	**70.6**	**14**	**37.7**	**4.7**	**25.4**	**4**	**2589.7**	8.9	3170
58008	41	45	4	29.6	42.1	70	8.3	30.9	5.6	1	4.9	0.8	4.4	0.9	2.6	0.4	2.5	0.4	204.4	6.51	924
58009	45	49	4	19.6	35.1	65.8	7.4	26.9	4.7	0.9	4.1	0.7	3.5	0.7	2	0.3	2	0.3	174	5.32	1020
58010	49	52	3	19.5	35.7	62.2	7	25.8	4.6	0.9	3.8	0.6	3.4	0.7	2	0.3	2	0.3	168.8	3.74	1640
58011	52	55	3	18.7	35.3	64.4	7.4	26.4	4.7	0.9	3.8	0.6	3.3	0.7	2	0.3	2	0.3	170.8	2.35	1130
58012	55	58	3	16.2	27.1	49.1	5.8	20.9	3.7	0.8	3.2	0.5	2.8	0.6	1.7	0.3	1.7	0.3	134.7	4.15	1540

(Note on sampling and assaying: Samples were collected as 4m composites down all holes. Samples were assayed for a wide range of elements by ICP at ALS-Chemex in Brisbane. Following a high La reading in the initial assay, LEV002 samples were reassayed for REEs by lithium borate fusion (method ME-MS82 at ALS-Chemex).

The REE intersection is only 4m thick, however we believe it is significant for a number of reasons. This was a reconnaissance drill hole in a previously undrilled area- it is possible the hole could have intersected the edge of a REE system. Indeed a number of other targets are apparent in the regional magnetic map (Figure 1). Access to the prospect is good, being only 2km from a bitumen highway 40km southeast of Cloncurry (Figure 2).

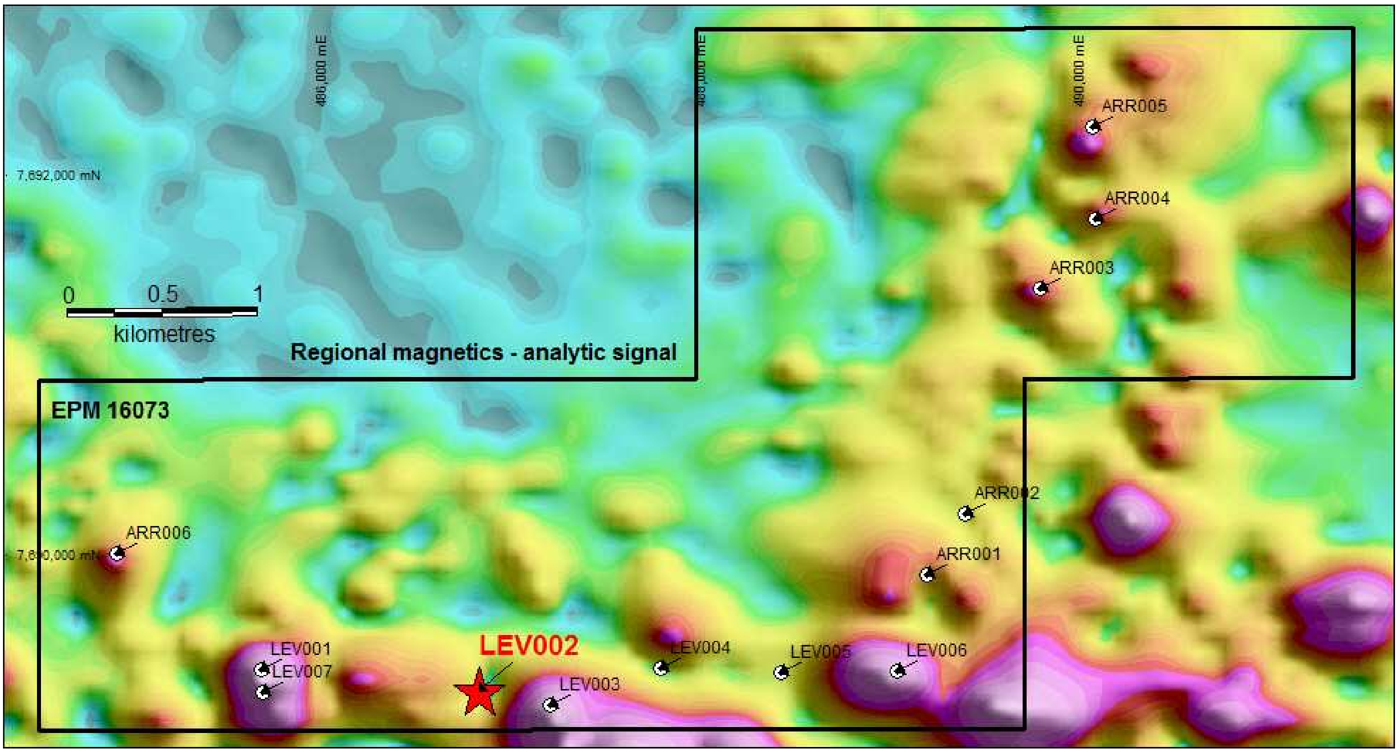


Figure 1. Magnetic anomaly map of EPM 16073 highlighting LEV002 in a magnetic low area.

Other drill results

Minor base metal mineralisation was intersected in two other holes in the recent program. Hole LEV007 intersected minor molybdenum (56m @ 15ppm Mo from 23m) + anomalous Pb-Zn-Ag in a pyrrhotite-rich shale. Anomalous copper was intersected in ARR002 - 15m @ 445ppm Cu from 51m depth in a mafic rock. Gold results were low except in ARR006, which returned 4m @ 0.28g/t Au from 23m.

Upcoming work

Mineralogical work is being conducted on the drill chips from the REE intercept, to determine the composition of the host rocks and the REE minerals present.

Follow up drilling targeting rare earth mineralisation will follow, as soon as access allows.

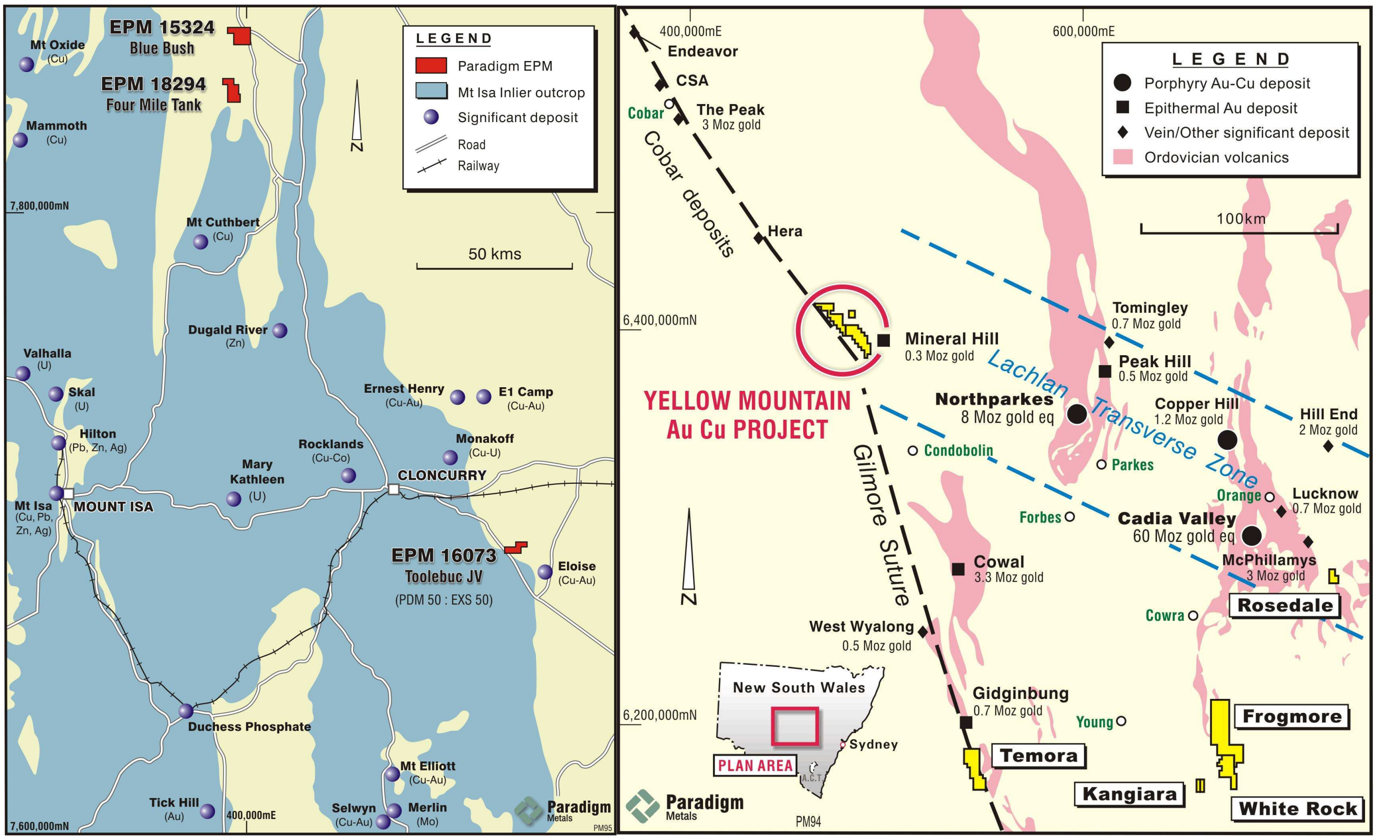


Figure 2. Location of Paradigm's projects in the Cloncurry region of Queensland (LEFT) and in NSW (RIGHT).

YELLOW MOUNTAIN GOLD PROJECT

Air core drill results

Shallow air core drilling has discovered an extensive, near-surface, oxide gold zone covering an area of about 500m by 100m at the Quarry Hill prospect. A simplified map of the drill results and current holes is presented in Figure 3.

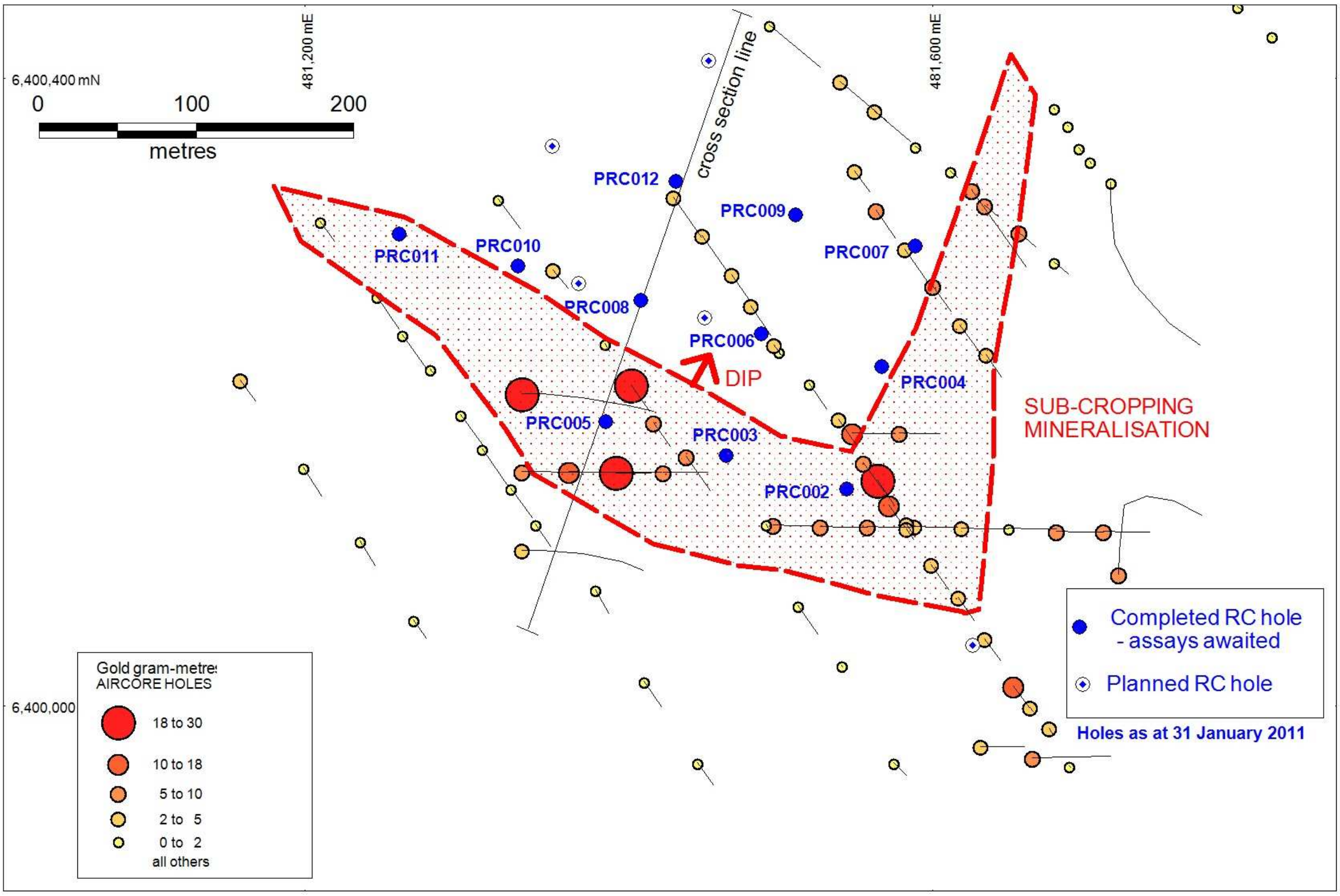
Highlights of the gold drill intercepts include:

- 36.5m @ 0.50g/t from 0m, including 4m @ 2.4g/t from 20m in PQH029;
- 40m @ 0.50g/t from 0m, including 4m @ 2.0g/t from 4m in PQH044;
- 8m @ 1.0g/t from 10m in PQH028; and
- 10m @ 0.64g/t from 26m in PQH030.

In total 53 air core holes and 1 percussion hole for a total advance of 1,874 metres of drilling was completed during the quarter. More than 30 of the holes (i.e. 60% of the total) intercepted +10m-thick gold intercepts grading 0.1 to 0.5g/t from surface. Many of the holes were stopped at shallow depths due to the limits of the air core drilling technique still within +0.1g/t gold mineralisation at base of hole.

Geology

Gold is believed to be controlled by favourable sedimentary strata that has been mineralised in preference to the surrounding beds. The main mineralisation occurs within a "meta-sandstone" horizon up to 50m thick, dipping at a shallow angle to the north (25-30 degrees). The enveloping unmineralised rocks are meta-siltstones and schists. The gold bearing meta-sandstone has accompanying iron oxides (after pyrite) and is silicified (i.e. hardened with silica).



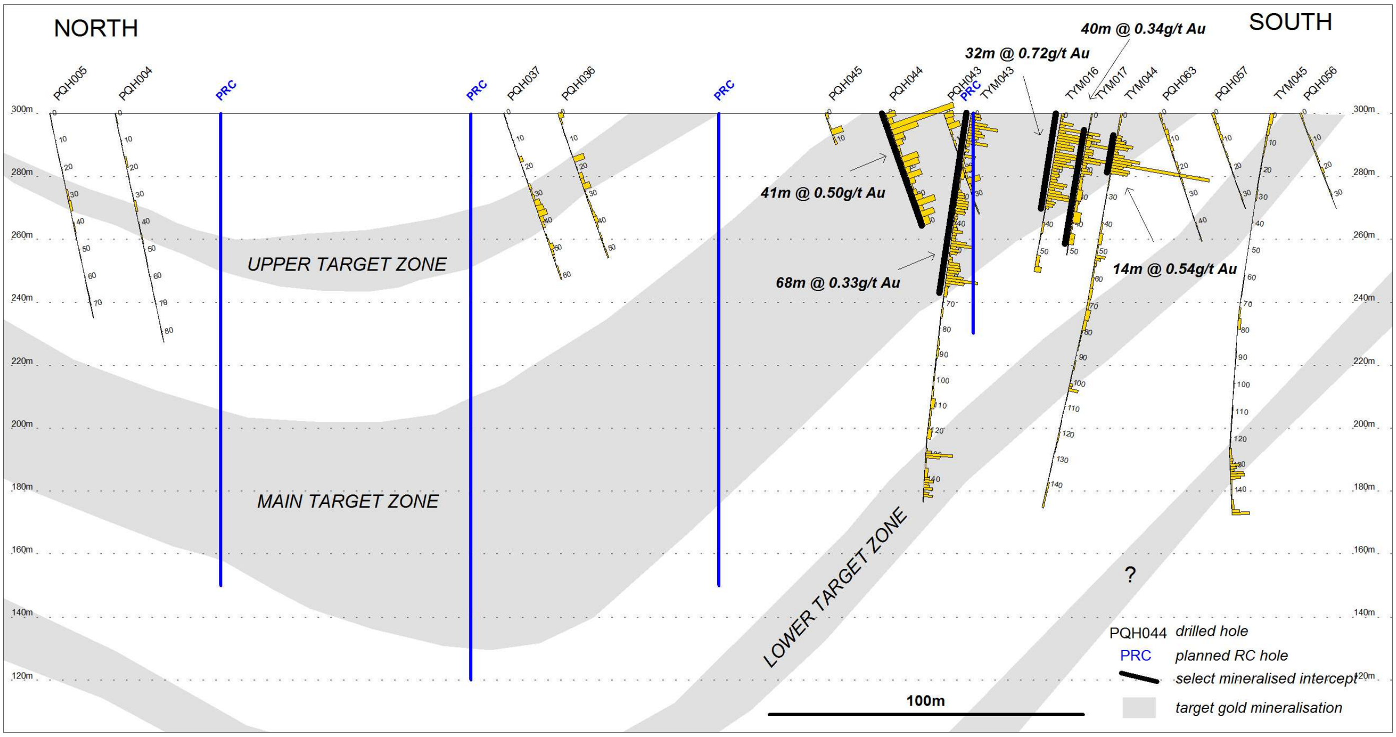


Figure 3.

TOP. Drill map showing gold results from air core holes, and the locations of current RC percussion holes;
BOTTOM. Cross section showing previous drill intercepts and the planned location of current RC holes in blue.

Current drilling

A 12-15 hole RC percussion drill program has commenced to test the down-dip mineralisation to a depth of up to 150m. At the time of reporting, 10 holes have been successfully completed (PRC002 to PRC011) with all samples from these holes submitted to the laboratory.

Option exercised

Paradigm has now exercised its option to elect to earn up to a 51% interest in the Yellow Mountain project. Paradigm can now earn a 30% joint venture interest in EL 6325 by spending $300,000 on exploration by 31 March 2012. To earn a 51% joint venture interest, Paradigm is required to spend a further $500,000 by 31 March 2013.

Grant of new tenement

A new exploration licence application ELA 4001 "Marranoonbah" (PDM 100%) has now been offered for grant. ELA 4001 lies immediately adjacent to Yellow Mountain EL 6325 covering the northwest extension of the same geology. Several gold prospects are known on this tenement including several large, undrilled, gold-in-soil anomalies. A map highlighting tenements belonging to major mining companies is shown in Figure 4.

Exploration at Marranoonbah will begin during the March 2011 quarter. Initial exploration will include mapping and structural interpretation using newly acquired digital photo and geophysical imagery.

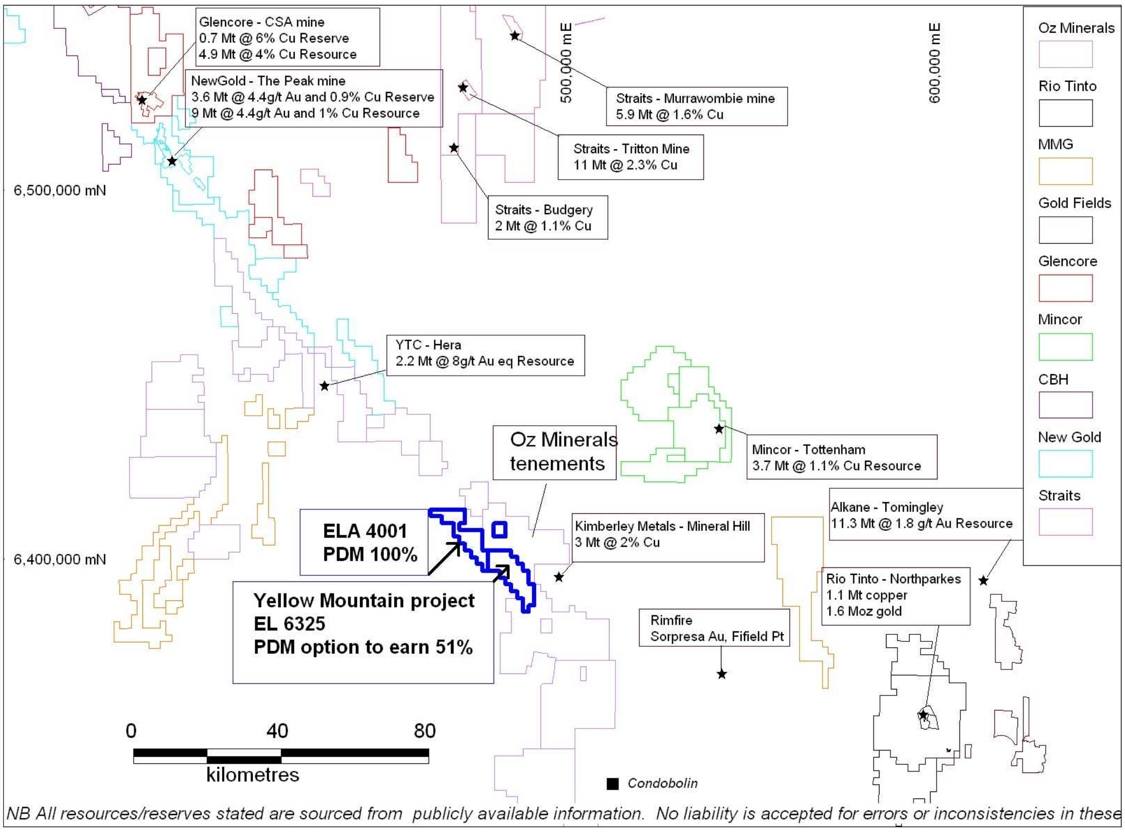


Figure 4. Tenement position of major mining companies in the region around Yellow Mountain.

KANGIARA PROJECT (100% PDM)

No exploration was carried out at Kangiara, EL 7273 and EL 6274, during the quarter.

About Kangiara

The Kangiara project comprises a JORC Indicated and Inferred Mineral Resource of 2.75 million tonnes @ 1.3% zinc, 1.0% lead, 0.18% copper, 0.5 g/t gold, and 24 g/t silver over a strike length of 360m. A nominal open pit design encompassing an Indicated and Inferred Resource of 1.65 million tonnes @ 1.4% Zn, 1.2%Pb, 0.4 g/t gold, 0.12% copper and 24 g/t silver to a maximum depth of 90 m was calculated by an independent mining consultant from the larger resource, with a waste to ore strip ratio of 1.5 to 1. Mineralisation is open along-structure, and down plunge.

TEMORA GOLD PROJECT (100% PDM)

No exploration was carried out at Temora EL 7443 during the quarter.

About the Temora gold project

Gold was first discovered at Sebastopol 15km south of Temora township in 1869. Gold won was obtained from quartz reefs, however production records are poor. There were two major production periods from 1869 to 1880 (hard rock mining), and 1897 to 1898 (tailings processing). It is estimated that about 30,000 oz of gold were produced. No production records are available for the Homeward Bound, however old reports indicate there were a large number of shallow shafts. At Barron, east-west trending quartz veins were mined from shallow shafts in 1941, which are intact.

ROSEDALE GOLD PROJECT (100% PDM)

No exploration was carried out during the quarter at Rosedale EL 7343.

FROGMORE COPPER PROJECT (100% PDM)

No field work was carried out at on the Frogmore exploration licence, EL 6590, during the period.

BLUE BUSH (75% PDM)

No exploration was carried out at Blue Bush, EPM 15324, during the quarter.

FOUR MILE TANK (100% PDM)

“Four Mile Tank” project, EPM 18294, is going through the Native Title process, with the granting of the permit expected during the 2nd quarter of 2011.

CORPORATE

A fully underwritten rights issue and placement was completed during the quarter, raising $1.3 million before costs. Placees of shares received 1 free unlisted option for each 2 shares received, with options exercisable at 10c on or before 30 November 2012. The share capital of the company is now as follows:

Number of fully paid ordinary shares allotted during the quarter:	44,220,373
Total PDM shares on issue:	148,881,492
Unlisted options (30 Nov 2012 @ 10c)	22,110,294
Unlisted options (7 May 2012 @ 20c)	2,000,000

The Company's 2010 Annual General Meeting was held on 17 November at 10am. All resolutions were passed unanimously on a show of hands.

Yours sincerely,

Graham D Carman, PhD, MAUSIMM
Managing Director
31 January 2011
Please direct enquiries to Graham Carman: Phone: 02 9955-7130
Website: www.paradigmmetals.com.au

Competent Person statement:
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. Dr Carman 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.