



Paradigm Metals

ABN 28 102 747 133

PARADIGM METALS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

Paradigm Metals Limited

Corporate directory

30 June 2012

Directors	Graham Carman (Non-Executive Director) John Gaskell (Non-Executive Director) Stephen Lonergan (Non-Executive Director)
Senior management	Greg Curnow (Chief Executive Officer)
Company secretary	Stephen Lonergan
Registered office	Suite 202, 122 Walker St North Sydney NSW 2060 Telephone: 61 2 9955 7130 Facsimile: 61 2 8920 3576 Email: info@paradigmmetals.com.au
Share registry	Boardroom Pty Ltd Level 7, 207 Kent Street Sydney, NSW 2000 Telephone: 61 2 9290 9600 Facsimile: 61 2 9279 0664
Auditor	BDO East Coast Partnership Level 10, 1 Margaret Street Sydney, NSW 2000
Solicitors	Stephen J Lonergan 1/61 Kangaroo Street Manly, NSW 2095 Telephone: 61 2 9976 3092 Facsimile: 61 2 9976 3976
Stock exchange listing	Paradigm Metals Limited's shares are listed on the Australian Securities Exchange (ASX code: PDM)
Website	http://www.paradigmmetals.com.au

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PARADIGM METALS LIMITED

Dear Shareholder,

Through the year we have continued our policy of judicious expenditure on current properties and have maintained the search for new opportunities to provide fresh impetus to the Company's growth plans.

Work on the ground has been focused on the Yellow Mountain project near Condobolin NSW (PDM 30%, earning 51%) and the Toolebuc Joint Venture (PDM 50%) south of Cloncurry in Queensland.

At Yellow Mountain we have reviewed and compiled a large amount of geological, geochemical and geophysical data that have been collected by previous explorers over the past 40 years and have re-assayed old diamond drill core. The results, which are described in detail later in this Annual Report, have highlighted a previously untested copper gold target in the vicinity of the old Yellow Mountain Mine.

To the south of the old Mine area there is a strong magnetic anomaly which has been the subject of previous geophysical work. We have re-interpreted the data and concluded that the single diamond drill hole completed in 1968, which intersected weak copper mineralisation, was not drilled into the optimum target. We believe this anomaly, known as the Fountaindale copper-gold target, warrants further work.

In Queensland PDM drilled 11 shallow aircore holes on behalf of the Toolebuc Joint Venture. One of the holes intersected 7 metres @ 0.65% rare earth oxides and warrants follow up.

In NSW the White Rock tungsten project was optioned to unlisted public company Resmetco Limited. Resmetco will keep the lease in good standing and has reinterpreted the past drilling results. Resmetco is currently undertaking a conceptual study to assess the commercial viability of the project and Resmetco expects to complete their evaluation of the project before the end of the year.

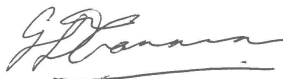
Throughout the year your Board has reviewed a number of projects and proposals submitted by third parties. In recent weeks a proposal was received from Garrison Capital, supported by Taylor Collison, to invest in Paradigm and to introduce new projects to the Company. We considered this to be in the best interests of shareholders and accepted the offer of \$220,000 into the Company and the appointment of a new director. Mr John Gaskell will resign from the Board to make way for Mr Brian McMaster of Garrison Capital.

Mr Gaskell was a founding director of Paradigm and has contributed significantly to the exploration efforts of the Company. The Board extends its thanks to John for his contribution.

Sincerely,



John Gaskell



Graham Carman



Stephen Lonergan

PARADIGM METALS LIMITED
 OPERATIONS REPORT
 FOR THE YEAR ENDED 30 JUNE 2012

NSW OPERATIONS

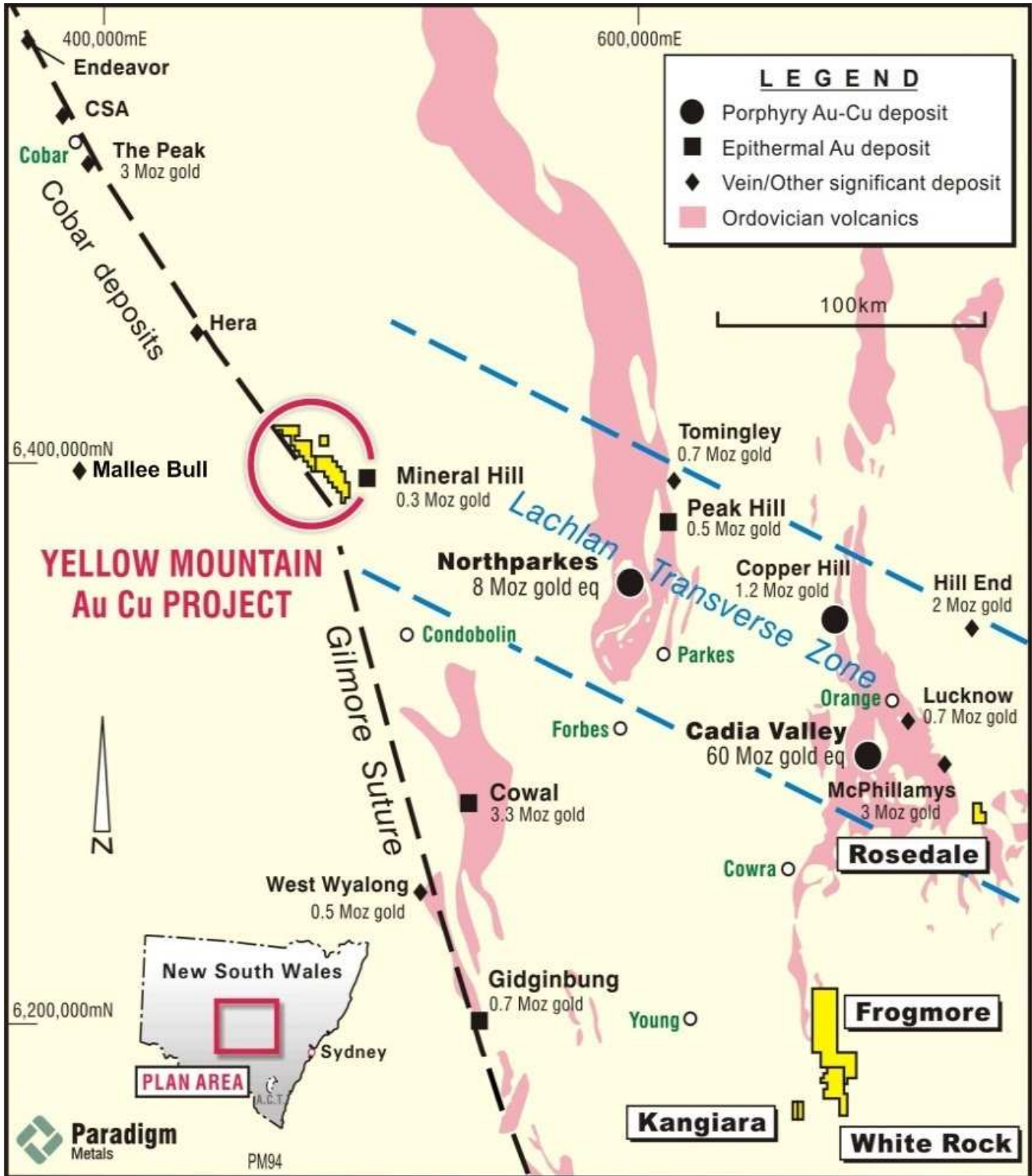


Figure 1: Paradigm NSW Tenement Plan

PARADIGM METALS LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Yellow Mountain Project (PDM 30%, earning 51%)

During the year Paradigm focused on reviewing the data available on all gold and copper targets in the Yellow Mountain project area, EL 6325. The review highlighted the old Yellow Mountain Mine area as an area of particular interest. The Yellow Mountain Mine area contains a number of small shafts mined for copper (Cu), lead (Pb), and silver (Ag) during the early 1900s. Although the area was drilled in the past, few of these holes were assayed for gold, representing an opportunity other explorers may not have considered.

The Yellow Mountain Mine is located 10km north of the Quarry Hill Prospect, a gold prospect drilled by Paradigm during 2011 (see Figure 2).

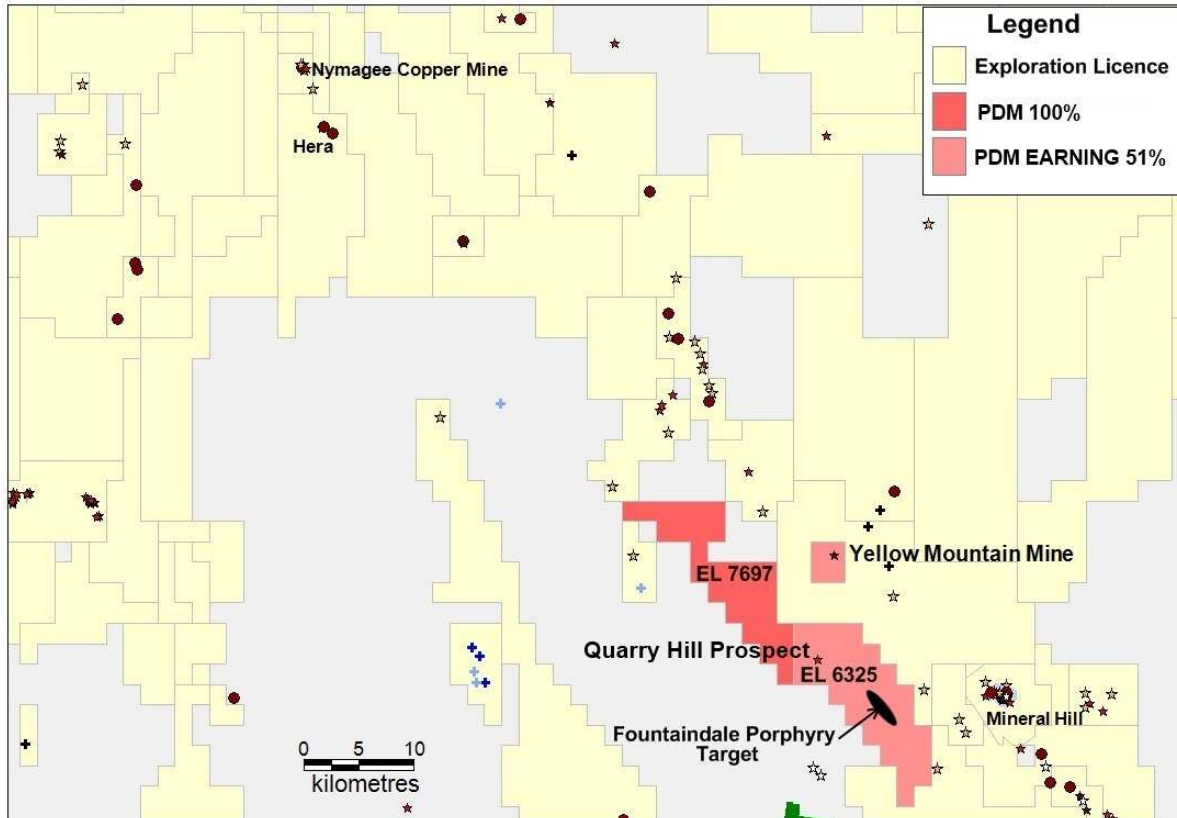


Figure 2: Yellow Mountain Location Plan

Yellow Mountain Mine Area

Paradigm compiled and reviewed the historical exploration data which targeted Cu, Pb and Ag mineralisation in a sequence of Silurian felsic volcanic rocks. A total of 75 holes RC and diamond holes were drilled between 1968 and 1986, and these data were compiled and evaluated. Other work included IP geophysics, mapping, trenching, soil and rockchip sampling, with the results highlighting two main zones of mineralisation known as the Main Shaft and Main North Shaft (see Figure 3).

Little historical work was done on testing gold mineralisation associated with base metals at the Yellow Mountain Mine area, with only 4 of 25 past holes tested for gold in the Main Shaft area. The 4 holes assayed as follows:

- PYM11: 62m @ 0.49g/t Au, 112g/t Ag, 0.28% Cu, 1.16% Pb & 1.21% Zn from 8m;
- PYM12: 56m @ 0.41g/t Au, 25g/t Ag, 0.43% Cu, 1.05% Pb & 1.64% Zn from 64m;
- PYM13: 41m @ 0.36g/t Au, 14g/t Ag, 0.23% Cu, 0.85% Pb & 0.94% Zn from 10m;
- YD13: 7.4m @ 5.73g/t Au, 102g/t Ag, 0.7% Cu, 5.18% Pb & 6.74% Zn from 206m.

Based on these results, Paradigm re-examined historical diamond drill-core available at the NSW Mines Department core library. Four holes not previously assayed for gold were re-cut and assayed for gold and silver by Paradigm. Assay results of two re-cut core holes from the Main Shaft area were as follows:

- YD02: 37 metres @ 0.31g/t Au, 21g/t Ag & 0.31% Cu from 77m depth;
- YD05: 28 metres @ 0.30g/t Au, 19g/t Ag & 0.33% Cu from 46m depth.

PARADIGM METALS LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2012

YD04 and YD08 returned weak gold-silver and copper results.

Based on these results, Figures 3 and 4 highlight undrilled Cu and Au drill targets at the Main Shaft area.

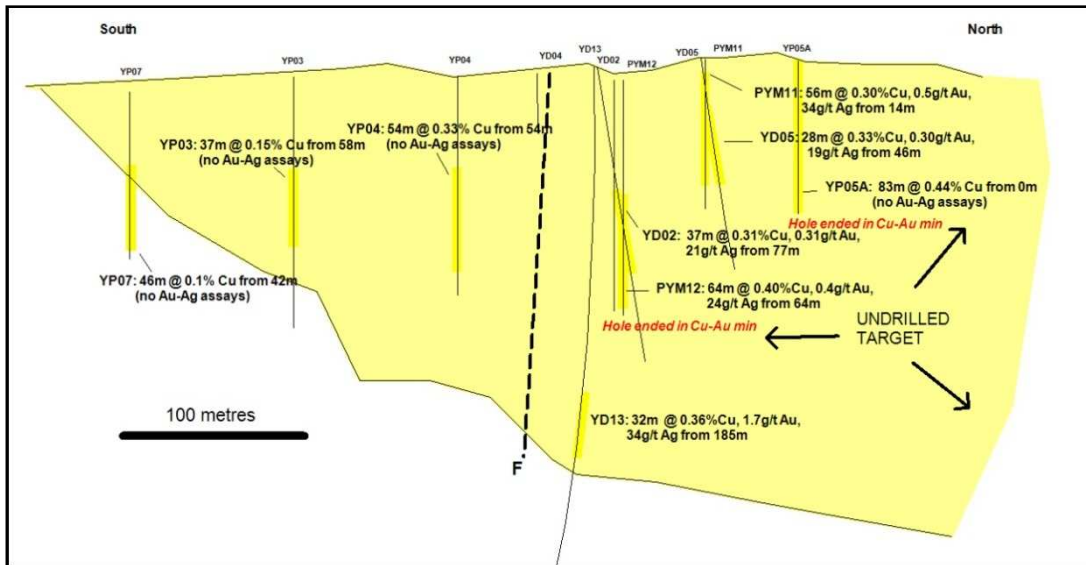


Figure 3: Long section of the historic and new drill results at Mine Shaft showing key drill holes

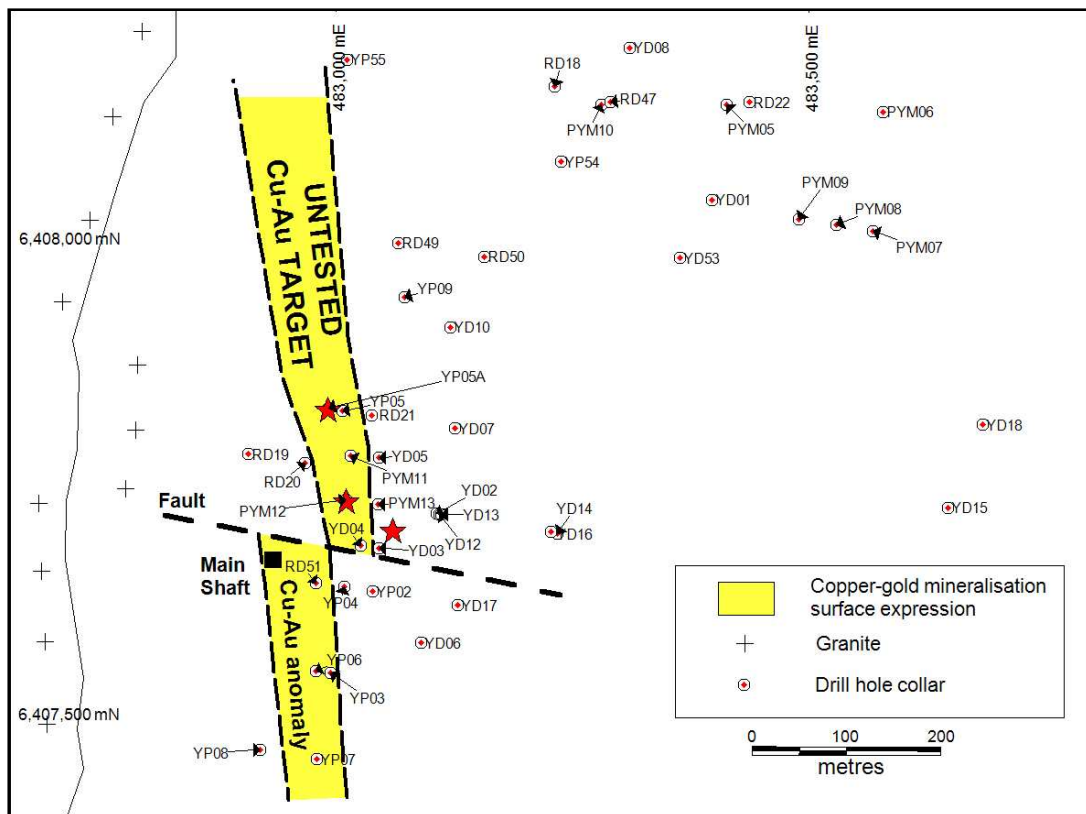


Figure 4: Plan of the Main Shaft area highlighting the best mineralised Cu-Au holes and targets

Fountaindale Copper-Gold Target

Located within EL 6325 is the Melrose anomaly, a 10 kilometre-long magnetic body that has been modelled to a depth of some 2km. The anomaly has similarities in size and strength to the magnetic anomaly at Newcrest’s Cadia-Ridgeway mine which has a combined resource of 510MT @ 0.47g/t Au & 0.18% Cu (source Newcrest website). The Ridgeway ore-body was discovered approximately 500m below the surface and Figure 5 shows a comparison of the magnetic anomalies at Melrose and Cadia at the same scale.

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The shallowest and strongest part of magnetic anomaly at Yellow Mountain, known as the Fountaindale area (see Figure 5), was targeted by a single historic drill hole in 1968, drill hole DDH8A. This hole intersected wide intervals of secondary magnetite, with weak copper mineralisation. Recent modelling by Paradigm indicates drillhole DDH8A did not intersect the magnetic anomaly at the optimum location.

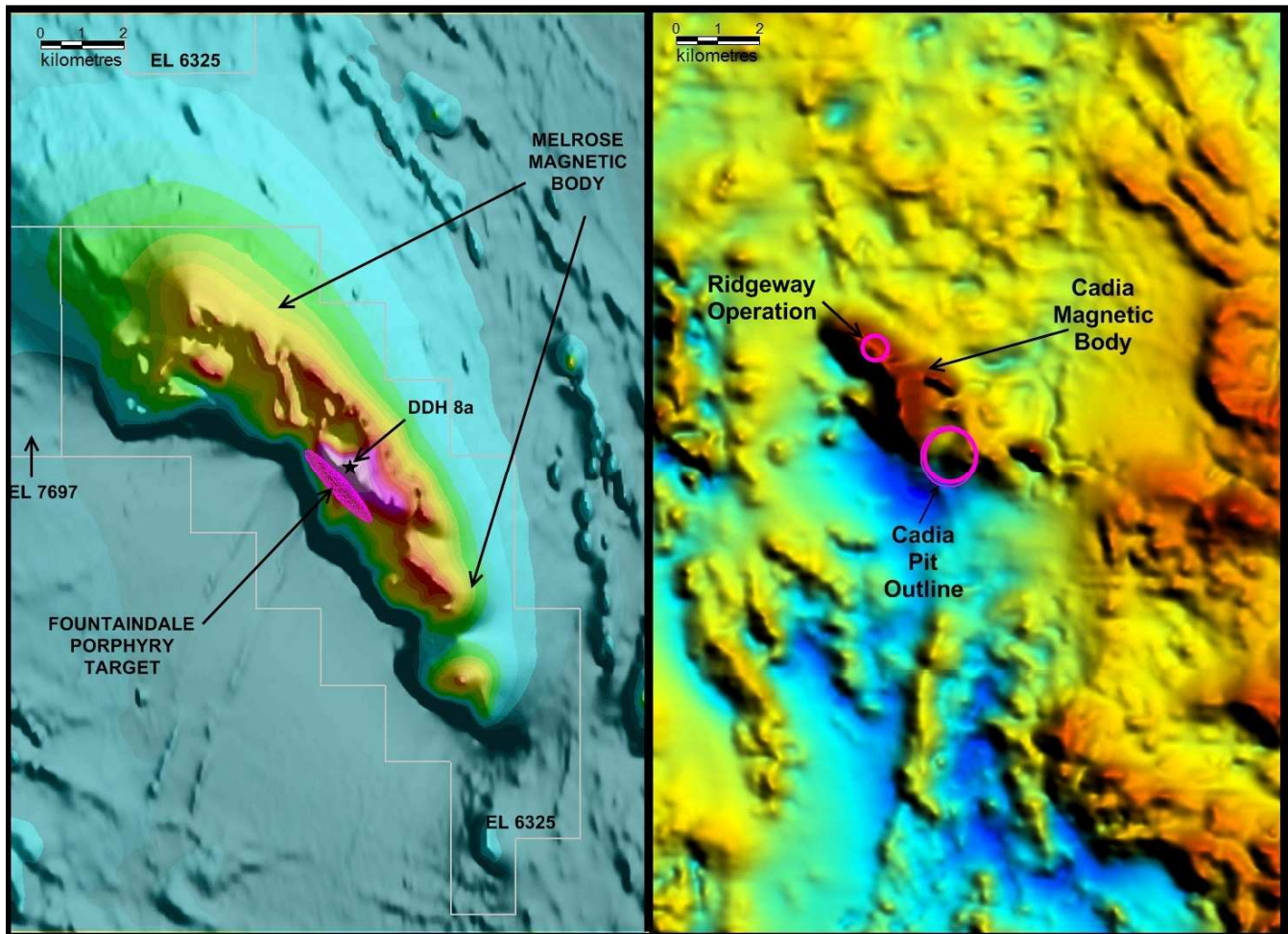


Figure 5: Comparison of the Yellow Mountain & Cadia magnetic bodies at the same scale

Future Work

Paradigm has identified near-surface gold and gold-copper mineralisation at Yellow Mountain at two prospects, Quarry Hill and Yellow Mountain Mine, and a possible Cadia-Ridgeway style porphyry target at Fountaindale. As yet, sufficient economic mineralisation has not been found at the project, although Paradigm believes potential still exists at deeper levels than have been tested. The Company is currently reviewing all geophysical datasets, and a decision to drill further holes at the project is pending the results of this review.

White Rock (PDM 100%)

In February 2012 Paradigm granted Resmetco Limited an option to purchase Paradigm's 100% interest in EL 6274 which contains the Company's Rye Park (White Rock) tungsten project. Resmetco is an unlisted public company focussed on exploring and developing strategic metals projects in Australia, and plans to list on the ASX in 2012.

The option may be exercised by Resmetco within the 18 month option term and only after Resmetco has been admitted to the Official List of the ASX. During the option term, Resmetco is required to keep EL 6274 in good standing. On exercise of the option, Resmetco is required to issue 4 million ordinary fully paid Resmetco shares to Paradigm.

As part of the agreement, Resmetco is currently financing all exploration on EL 6274 which is currently addressing conceptual mine designs, ore resource calculations and ore processing options. Resmetco expects the study to be completed in late 2012.

**PARADIGM METALS LIMITED
OPERATIONS REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

Preliminary results from the conceptual study have been encouraging with positive results from computer modelling of the ore resource suggesting a likely increase in the ore resource.

A plan of the tungsten mineral shell and possible pit design is shown in Figure 6.

About White Rock:

The White Rock tungsten project contains a JORC Indicated and Inferred Mineral Resource of 260,000 tonnes @ 0.7% tungsten trioxide WO_3 . The Resource can be subdivided into two separate ore types: A high-grade magnetite tungsten Resource of 123,000 tonnes @ 1.15% WO_3 , and a lower grade Resource of 138,000 tonnes @ 0.3% WO_3 . The Mineral Resource covers a strike length of 240m. The maximum depth of the Resource is 50m, with approximately 65% of the resource within 30m of surface.

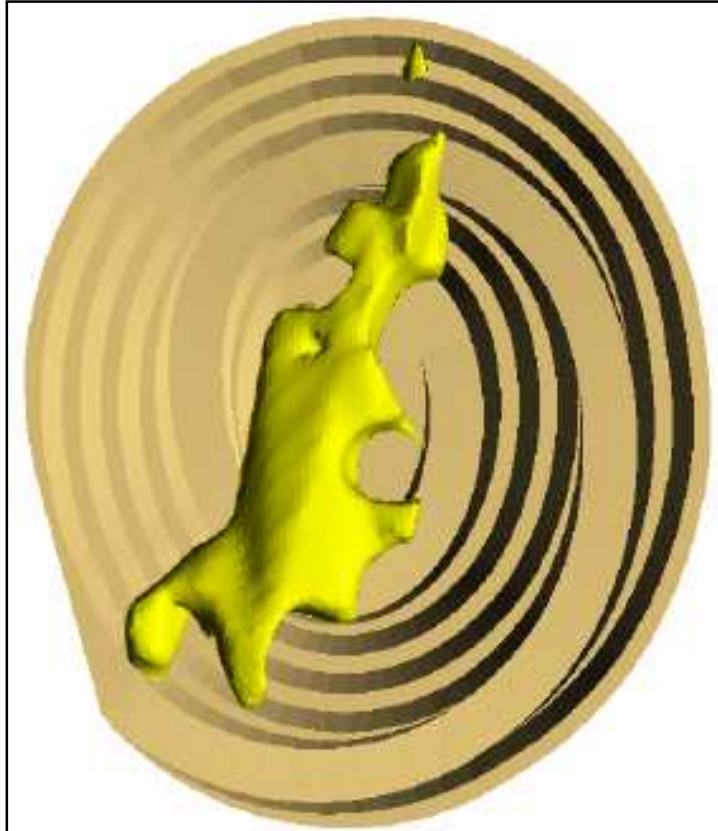


Figure 6: Conceptual model of the Rye Park ore-body & conceptual pit design

Frogmore Project (PDM 100%)

Planned drilling at the Frogmore copper project (EL 6590) was postponed during the year while the Company focused on the Yellow Mountain project.

Kangiara (PDM 100%)

No work was carried out during the year at Kangiara (EL 7273). At present the Company believes that the base metal resource requires additional tonnage, or an improved grade, to be considered economically viable. Paradigm is continuing to evaluate options to advance the project including a farm-out.

About Kangiara:

The Kangiara project contains 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 with a waste to ore strip ratio of 1.5 to 1. The sulphide mineralisation is open down plunge.

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Rosedale (PDM 100%)

The Rosedale project (EL 7343) is located 18km southeast of the McPhillamys gold resource in central NSW, along a possible extension of the same northwest-trending fault, 30km south of Bathurst NSW. In 2010 Paradigm completed 3 percussion drill holes for 516 m advance at Rosedale, following up on previous drill results including 13m at 0.8g/t Au + 20g/t Ag from 100m depth, and 26m at 0.3g/t gold from 12m depth.

The Company is offering this project for farm-out and no work was carried out during the reporting period.

Temora (Relinquished)

During the year Paradigm relinquished EL 7443 'Temora'.

QUEENSLAND OPERATIONS

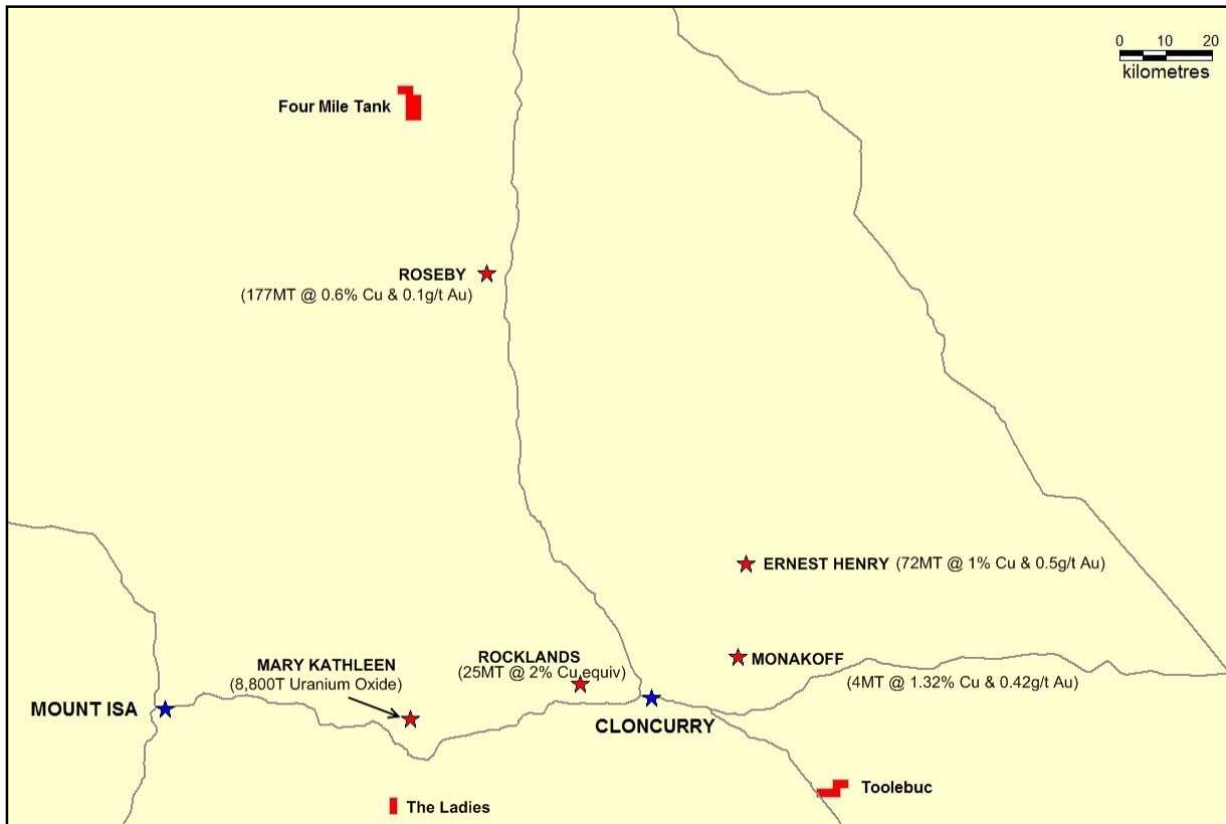


Figure 7: Paradigm Queensland Tenements

Toolebuc Joint Venture (PDM 50%)

The Toolebuc Joint Venture (EPM 16073) is located 40km south-east of Cloncurry in the Mt Isa region of Queensland (see Figure 7). The project has potential for both rare earth element (REE) mineralisation as well as iron oxide copper-gold mineralisation. The project is a 50:50 joint venture between Paradigm and Exco Resources Ltd and Paradigm is the manager of the joint venture.

Paradigm completed an eleven-hole shallow aircore drill program for 500m advance in November 2011 targeting REE mineralisation. Drillhole LEV011, a 51m air core hole, intersected 7m @ 0.65% total rare earth oxides (REO) from 35-42m, including 3m @ 1.06% REO from 35m, beneath 35m of soft sedimentary cover. Mineralisation remains open along strike.

The dominant REE's in LEV011 are neodymium (Nd), lanthanum (La) and yttrium (Y) and the ratio of neodymium (Nd) to total REE's is high, at approximately 0.3/1. Neodymium is an important REE used in the high tech industry, for example in the making of strong permanent magnets and for uses in electric/hybrid vehicles. Neodymium plus the high-value heavy REEs make up more than 50% of the total contribution of REE's in LEV011. Importantly, levels of the radioactive elements uranium (U) and thorium (Th) are very low, being around 20 ppm for each element.

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The REE drill intersection is attractive because it contains >50% of its total REEs as high-value heavy REEs including yttrium and dysprosium, with additional neodymium which is also high value.

As follow up work to the November 2011 drilling, the joint venture completed a ground gravity survey which covered a 1km² area covering the drilling area.

Future Work

A renewal of EPM 16073 has been sought for a further 5 years. Further drilling is being considered.

The Ladies (PDM Application)

An exploration permit application over more than twenty small 19th century copper mines “The Ladies” along a 2km trend between Cloncurry and Mt Isa was made in early 2011 (EPM 19016). The Native Title parties have been advised of the application, and progress towards an access agreement and eventual permit grant is being made.

The Ladies is located in a prospective belt for copper-gold mineralisation, 17km south of the Mary Kathleen mine and 40km southwest of Cuddeco’s Rocklands copper project. A number of small copper oxide workings are known on the property. A past explorer carried out a brief evaluation of a number of the prospects during the early 1990s. Two shallow percussion holes were drilled at the Morning Star prospect. Those holes returned the following encouraging results:

- MSP-1: 16m @ 0.76% copper and 0.12g/t gold from 46m depth (sulphide);
- MSP-2: 22m @ 0.23% copper and 0.05g/t gold from 8m depth (oxide).

Future Work

Paradigm believes that more detailed evaluation of The Ladies prospects is required given extensive outcropping of copper mineralisation around an anticline structure, and that no systematic work has been carried out with minimal drilling (see Figure 8).

Once granted, a program of mapping and sampling is likely be followed by drilling.

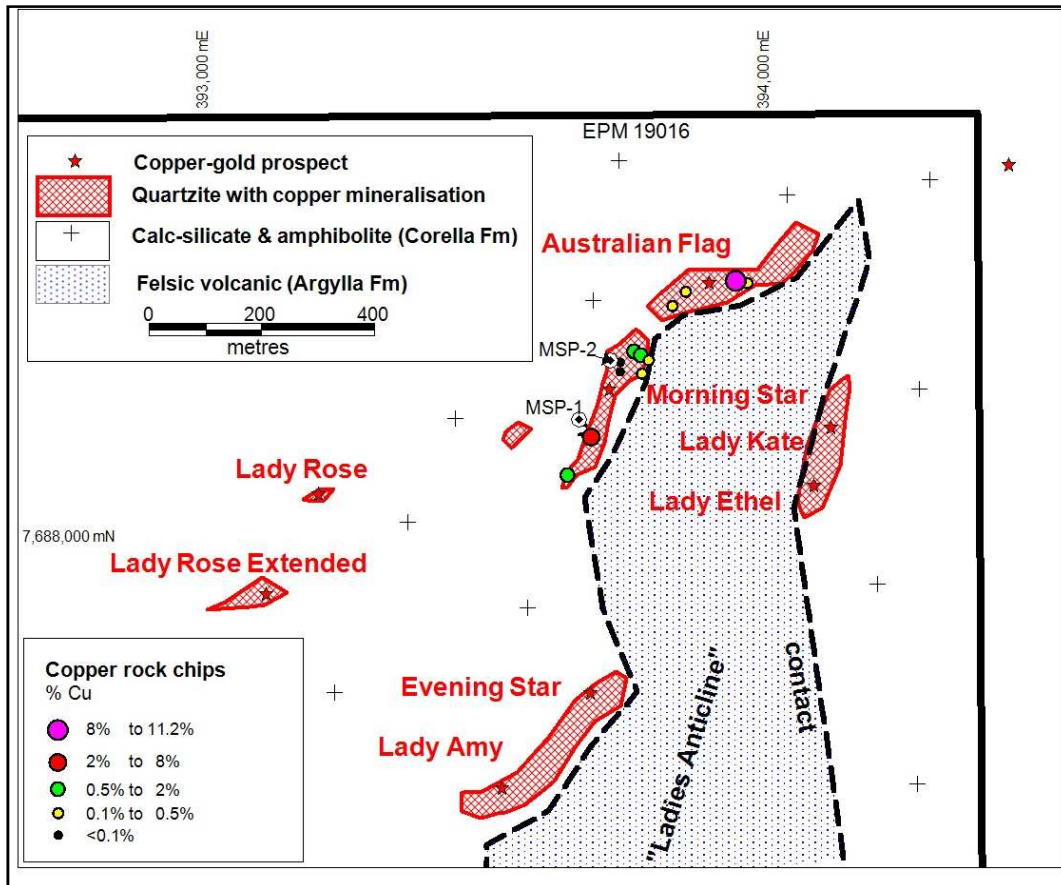


Figure 8. Simplified Geological Map of The Ladies Project

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OPERATIONS REPORT
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Four Mile Tank (PDM 100%)

The Four Mile Tank project (EPM 18294) was granted on the 23 April 2012 for a period of five years. Four Mile Tank is located 140 km north-east of Mt Isa (see Fig 7) and is prospective for copper-gold mineralisation.

Blue Bush (Relinquished)

During the year Paradigm relinquished EPM 15324 'Blue Bush'.



Greg Curnow
Chief Executive Officer
Paradigm Metals Limited

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Greg Curnow who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Curnow is the Chief Executive Officer 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'. Mr Curnow consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

PARADIGM METALS LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2012

The Directors of Paradigm Metals Limited hereby present the Financial Statements of the Company and its controlled entities for the year ended 30 June 2012.

DIRECTORS

The names of Directors of the Company who held office during the year and were in office at the date of this report unless otherwise stated are:

□ **Graham Carman, PhD, MAUSIMM (Non-Executive Director)**

Term of office: Non-Executive Director, was the Managing Director from September 2003 to November 2011.

Dr Carman graduated with a Bachelor of Science (Hons) from Victoria University of Wellington New Zealand in 1986. He spent several years exploring in Western Australia, North Queensland and Lihir Island in Papua New Guinea, completing a PhD at Monash University in 1994. He was seven years in Peru, firstly with Rio Tinto Exploration and then with Savage Resources Ltd (latterly Pasminco Ltd) as Exploration Manager until 2000. Dr Carman then returned to Australia as Exploration Manager Australia for Pasminco prior to founding Paradigm in 2002. Dr Carman is not considered to be an independent director.

Directorships of other listed companies:

- Darwin Resources Corp (TSXV Listed) since January 2012.

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

Term of office: Director since November 2002.

Mr Gaskell graduated as a geologist from the University of Leeds in 1966 and has been involved in the exploration industry world-wide in a number of public and private companies since then. Mr Gaskell is Chairman of the Company's Audit Committee. Mr Gaskell is considered to be an independent director.

Directorships of other listed companies:

- Dominion Mining Limited from December 2004 to January 2011.

□ **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 30 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, and General Counsel and Company Secretary of Savage Resources Ltd. Mr Lonergan was General Counsel and Company Secretary of CBH Resources Ltd prior to its takeover in 2011. 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. Mr Lonergan is considered to be an independent director.

Directorships of other listed companies:

- Finders Resources Limited since March 2005.
- KBL Mining Limited since November 2011.

□ **Greg Curnow (Chief Executive Officer)**

Term of office: CEO since December 2011.

Mr Curnow graduated with a Bachelor of Science from Monash University, Melbourne in 1986. He then spent the next four years as a mine and exploration geologist in Western Australia and the Northern Territory for Austwhim Resources and Dominion Mining. Mr Curnow then joined Western Mining Corporation as a mine and underground geologist in Western Australia which was followed by a number of senior geological roles. In 2005 Mr Curnow joined Sydney based geological consulting firm Geos Mining where he was involved in carrying out exploration activities, resource modelling and project reviews for a number of companies including Central West Gold who he was the Exploration Manager. In 2009 he joined Morning Star Gold as its Chief Geologist and in late 2010 he was promoted to General Manager.

PARADIGM METALS LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2012

PRINCIPAL ACTIVITIES

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

OPERATING RESULT

The loss of the consolidated entity for the financial year after providing for income tax amounted to \$514,559 (2011: \$553,664).

REVIEW OF OPERATIONS

A review of the operations of Paradigm Metals Limited 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 consolidated entity.

SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years except the following:

On 3 September 2012, Paradigm announced a private placement of 15% of its issued capital, placing 27,500,000 ordinary fully paid shares at \$0.008 each to raise \$220,000 before costs. The placement to Garrison Capital Pty Ltd and professional and sophisticated investor clients of Taylor Collison Limited was completed on 7 September 2012 and the proceeds are intended for working capital purposes and seeking new opportunities.

As part of this transaction the Board is to be restructured. Mr John Gaskell is retiring before 30 September 2012 and Mr Brian McMaster of Garrison Capital is to be appointed to the Board.

DIRECTORS' SHARES AND OPTIONS

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

MEETINGS OF DIRECTORS

During the financial year, 11 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
Graham Carman	11	11	-	-
John Gaskell	11	11	2	2
Stephen Lonergan	11	11	2	2

REMUNERATION REPORT (Audited)

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. No component of any Director's remuneration is based on meeting or directly linked to any particular performance criteria.

Previously, the remuneration and terms and conditions of employment for the Managing Director were reviewed annually having regard to performance and comparative remuneration information in respect of other listed mineral exploration companies in Australia, and approved by the Board, as required. The Company's performance as a minerals exploration

**PARADIGM METALS LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

entity depends on retaining energetic and innovative management. There is no specific link between the Director's remuneration and the Company's performance.

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.

As of the reporting date the Company has no Managing Director.

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			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Graham Carman	133,641	172,018	-	-	-	-	7,225	15,482	-	-	140,866	187,500
John Gaskell	44,000	44,000	-	-	-	-	-	-	-	-	44,000	44,000
Stephen Lonergan	44,000	44,000	-	-	-	-	-	-	-	-	44,000	44,000
	221,641	260,018	-	-	-	-	7,225	15,482	-	-	228,866	275,500

Employment Contracts

The Executive Director, Graham Carman was employed under an employment contract until 2 December 2011. The details of the employment contract were:

Duration:	Open ended
Period of notice required to terminate the contract:	3 months
Termination payments provided for under the contract:	3 months notice period only and payment of any outstanding leave entitlements

PARADIGM METALS LIMITED
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DIRECTOR'S SHAREHOLDINGS

The following tables set out each Director's relevant direct or indirect interest in the securities of Paradigm Metals Limited as at 30 June 2012:

Fully Paid Ordinary Shares

	Balance as at 1 st July 2011	Issues	Disposals	Balance as at 30 th June 2012
Director	No.	No.	No.	No.
Graham Carman	4,320,746	1,100,000	-	5,420,746
John Gaskell	1,960,328	800,000	-	2,760,328
Stephen Lonergan	1,223,969	900,000	-	2,123,969
Total	7,505,043	2,800,000	-	10,305,043

Unlisted Options at \$0.10 each expiring 30 November 2012

	Balance as at 1 st July 2011	Issues	Disposals	Balance as at 30 th June 2012
Director	No.	No.	No.	No.
Graham Carman	317,915	-	-	317,915
John Gaskell	245,041	-	-	245,041
Stephen Lonergan	166,667	-	-	166,667
Total	729,623	-	-	729,623

This concludes the Remuneration Report which has been audited.

DIRECTOR'S AND OFFICER'S 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, 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under S237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervened in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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.

PARADIGM METALS LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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

Non-audit services provided by the auditors of the consolidated entity during the year are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor did not compromise the general principles relating to auditor independence in accordance with APES110, Code of Ethics for professional accountants set by the Accounting Professional and Ethics Standards Board.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity	2012 \$	2011 \$
Taxation Compliance and other services	8,960	10,260

AUDITOR'S 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 auditor BDO East Coast Partnership. The Audit Independence Declaration has been attached as part of this Director's Report on the following page.

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

For and on behalf of the Directors,



John Gaskell
Acting Chairman

Dated: 13 September 2012

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF PARADIGM METALS LIMITED

As lead auditor of Paradigm Metals Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Paradigm Metals Limited and the entities it controlled during the period.



John Bresolin

Partner

BDO East Coast Partnership

Sydney, 13 September 2012

PARADIGM METALS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED	
	Note	2012	2011
		\$	\$
Continuing operations			
Other income	2	37,416	41,414
Employee benefit expense		(54,677)	(254,669)
Depreciation		(12,190)	(6,289)
Other expenses	3	(484,931)	(333,950)
Share of Joint Venture Losses	15	(177)	(170)
Loss before income tax		(514,559)	(553,664)
Income tax	4	-	-
Loss for the year attributable to members of the parent entity		(514,559)	(553,664)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(514,559)	(553,664)
Earnings/(loss) per share:			
Basic (cents per share)	19	(0.34) cents	(0.43) cents
Diluted (cents per share)	19	(0.34) cents	(0.43) cents
Dividend per share		-	-

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

PARADIGM METALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		CONSOLIDATED	
	Note	2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	20	408,502	976,522
Trade and other receivables	5	1,001	823
Other current assets	6	85,822	43,427
Share of Joint Venture Current Assets	15	1,041	1,027
Total current assets		496,366	1,021,799
NON-CURRENT ASSETS			
Plant and equipment	8	55,739	67,929
Other non-current assets	6	12,500	62,500
Exploration and evaluation assets	7	3,354,624	3,312,953
Share of Joint Venture Non Current Assets	15	60,370	42,424
Total non-current assets		3,483,233	3,485,806
TOTAL ASSETS		3,979,599	4,507,605
CURRENT LIABILITIES			
Trade and other payables	9	20,962	161,024
Short term provisions	10	-	46,442
Share of Joint Venture Current Liabilities	15	6,663	8,750
Total current liabilities		27,625	216,216
NON-CURRENT LIABILITIES			
Long term provisions	10	5,000	24,530
Total non-current liabilities		5,000	24,530
TOTAL LIABILITIES		32,625	240,746
NET ASSETS		3,946,974	4,266,859
EQUITY			
Issued capital	11	10,927,027	10,732,353
Share options reserve		367,712	367,712
Accumulated losses		(7,347,765)	(6,833,206)
TOTAL EQUITY		3,946,974	4,266,859

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

PARADIGM METALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED

	<i>Issued capital</i> \$	<i>Option reserve</i> \$	<i>Accumulated losses</i> \$	<i>Total</i> \$
Balance at 1 July 2010	9,763,660	82,979	(6,279,542)	3,567,097
Total Comprehensive Income for the year	-	-	(553,664)	(553,664)
Transactions with owners in their capacity as owners				
Shares issued during the year				
- Placement of shares	1,062,308	264,303	-	1,326,611
- Transaction costs relating to issue of shares	(93,615)	-	-	(93,615)
Options capitalised during the year	-	20,430	-	20,430
Balance at 30 June 2011	<u>10,732,353</u>	<u>367,712</u>	<u>(6,833,206)</u>	<u>4,266,859</u>
Balance at 1 July 2011	10,732,353	367,712	(6,833,206)	4,266,859
Total Comprehensive Income for the year	-	-	(514,559)	(514,559)
Transactions with owners in their capacity as owners				
Shares issued during the year				
- Placement of shares	194,674	-	-	194,674
Balance at 30 June 2012	<u>10,927,027</u>	<u>367,712</u>	<u>(7,347,765)</u>	<u>3,946,974</u>

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

PARADIGM METALS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
Cash flows from operating activities	Note		
Receipts from other income		3,741	4,338
Receipts from government grants		-	-
Payments to suppliers and employees		(566,179)	(551,489)
Interest received		33,675	37,673
Net cash used in operating activities	20	(528,763)	(509,478)
 Cash flows from investing activities			
Purchase of plant and equipment	8	-	(50,618)
Proceeds from tenement deposits		-	2,500
New tenement deposits		(2,500)	(10,000)
Investment – Toolebuc Resources Pty Ltd		-	(25,000)
Capitalised exploration expenditure		(231,431)	(429,352)
Net cash used in investing activities		(233,931)	(512,470)
 Cash flows from financing activities			
Proceeds from issue of equity securities (net of issue costs)		194,674	1,232,996
Net cash provided by/(used in) financing activities		194,674	1,232,996
Net increase/(decrease) in cash held		(568,020)	211,048
 Cash at the beginning of financial year		976,522	765,474
 Cash at the end of financial year	20	408,502	976,522

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

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These Financial Statements cover Paradigm Metals Limited and its controlled entities, together referred to as the consolidated entity. Paradigm Metals Limited is a listed public company incorporated and domiciled in Australia.

Scope of financial statements

These Financial Statements are general purpose Financial Statements that have been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for-profit oriented entities. The Financial Statements of Paradigm Metals Limited and controlled entities comply with the International Financial Reporting Standards (IFRS) in their entirety.

Reporting Period

The Financial Statements are presented for the year ended 30 June 2012.

Authorisation of Financial Statements

The Financial Statements were authorised for issue on 13 September 2012 by the Directors.

Basis of Preparation

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

Reporting Basis and Conventions

The Financial Statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

a) Principles of Consolidation

A controlled entity is one which Paradigm Metals 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 30 June financial year end.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Paradigm Metals Limited ('Company' or 'parent entity') as at 30 June 2012 and the results of all controlled entities for the year then ended. Paradigm Metals Limited and its controlled entities together are referred to in these Financial Statements as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statement of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 24.

c) Going concern

The Financial Report has been prepared on the basis of a Going Concern, notwithstanding the fact that material uncertainties exist, going forward, which cast significant doubt on the Consolidated entity's ability to continue as a going concern. The Consolidated entity incurred a loss for the year after tax of \$514,559 (2011: \$553,664) and a net cash out flow from operating activities of \$528,763 (2011: \$509,478). The Consolidated entity acquires mineral tenements and then applies its expertise to conduct mineral exploration in search of base and precious metals deposits. In addition to the many uncertainties inherent in the mineral exploration and development industry, the Consolidated entity does not yet have a significant revenue stream and must rely on raising money in the capital markets. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

The Financial Report has been prepared on the basis of a Going Concern, as the Directors believe that adequate funding will be raised to enable the Consolidated entity to pay its debts as and when they become due for a period of twelve months from the date of approving this Report. In the event that the Consolidated entity is delayed in raising funding and or committing to development of its core tenements, the Consolidated entity may need to either reduce its rate of expenditure or raise additional working capital to ensure that it can continue to meet its obligations as and when they fall due.

Expenditure commitments include obligations arising from annual minimum work obligations for exploration permits. Minimum work obligations, may be subject to negotiation and approval and could be varied, they may also be satisfied by farm-out, sale, relinquishment or surrender.

In the event that the Consolidated entity is not able to raise sufficient working capital within the time frame required, it may not be able to realise its assets and crystallise its liabilities in the normal course of business at the amounts stated in this half-year Financial Report.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

d) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the Statement of Financial Position 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 Statement of Financial Position 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.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reporting 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.

e) 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 using the effective interest method. It includes amortisation of any discount or premium.

(iii) Revenue from government grants

Government grants are recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

f) 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 Consolidated Entity 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 Consolidated Entity 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.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

g) Income taxes

Income taxes are accounted for using the balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled.

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

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or liability settled. Deferred tax is credited in the Statement of Comprehensive Income 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 taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Tax consolidation legislation

Paradigm Metals Limited and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The tax consolidated group does not have a tax sharing or funding agreement in place.

h) 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 Consolidated 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 Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statement of Comprehensive Income.

i) 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.

j) Receivables

Trade receivables and other receivables represent the principal amounts due at reporting 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.

k) Financial Assets – Investments in Controlled Entities

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.

l) 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%

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.

m) Impairment of Assets

At each reporting date, the Director's review the carrying values of the Consolidated Entity's 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 Statement of Comprehensive Income. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) 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.

o) 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 Consolidated Entity has a present obligation to pay resulting from employee services provided up to reporting 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.

p) 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.

q) Events after the Reporting Date

Assets and liabilities are adjusted for events incurred after the reporting date that provide evidence of conditions existing at the reporting date. Important after reporting date events which do not meet these criteria are disclosed in Note 23 to the financial statements.

r) 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 Statement of Financial Position are shown inclusive of GST.

s) 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.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

t) 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.

u) 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.

v) 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.

w) Adoption of new and revised Australian Accounting Standards

New, revised or amending Standards and Interpretations

No new accounting standards were applicable to the consolidated group during the current year.

New accounting standards and Interpretations that have been issued but are not yet effective

As at the date of this report there are a number of new accounting standards and Interpretations that have been issued but are not yet effective as detailed below:

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013
2012 - 2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]	Jun 2012	1 Jan 2013
2012 - 3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Jun 2012	1 Jan 2014
2012 - 5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	Jun 2012	1 Jan 2013

Australian Interpretations

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
20	Stripping Costs in the Production Phase of a Surface Mine	Nov 2011	1 Jan 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the consolidated entity.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Share Based Payments

Equity settled share based payments are measured at the fair value of the equity instrument at grant date. Fair value is measured by the Black Scholes model.

The fair value determined at the grant date of the equity-settled share based payment is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of the shares that will eventually vest.

Where the share based payment is for a capital item, the fair value expense is recorded in the Statement of Financial Position and treated accordingly.

y) Significant Judgement and Key Assumptions

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The Directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The Directors base their judgements, estimates and key assumptions on historical experience and on other various factors, including expectations of future events, the directors believe to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for make good

A provision for material restoration obligations is recognised in relation to exploration licenses. The amount recognised includes reclamation and site rehabilitation after taking into account restoration works that are carried out during exploration, development and production.

Impairment of capitalised exploration expenditure

At each reporting date the Directors evaluate the right to carry forward exploration expenditure on the statement of financial position. Consideration is given to whether the tenement is in good standing, and plans for future exploration activities. Where exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially viable reserves the expenditure is carried forward on the statement of financial position to future periods until such assessment can be made.

Long service leave provision

The long service leave provision is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

z) Interests in Joint Ventures

The consolidated entity's share of the assets and liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated entity's interests are shown at Note 15.

The consolidated entity's interest in joint venture entities are brought to account using the proportionate consolidation method of accounting in the consolidated financial statements.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2: OTHER INCOME

	CONSOLIDATED	
	2012	2011
	\$	\$
Operating activities		
Interest received	33,675	37,673
Non-operating activities		
Rent received	3,741	3,741
	37,416	41,414
	37,416	41,414

NOTE 3: LOSS FOR THE YEAR

(a) Other Expenses comprised as follows:

Exploration expenditure		
- Write-off capitalised expenditure	(63,030)	(20,342)
Directors fees	(110,000)	(88,000)
Administration expenses	(266,276)	(181,860)
Office Rent	(45,624)	(43,748)
	(484,931)	(333,950)
	(484,931)	(333,950)

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: INCOME TAX

CONSOLIDATED

	2012	2011
	\$	\$
Income tax recognised in profit / (loss)		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss from operations	(514,559)	(553,664)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2011: 30%)		
Consolidated Entity	(154,368)	(166,099)
Add: tax effect of non-allowable items	3,938	2,505
Less: tax effect of temporary differences not brought to account	(20,789)	(1,533)
Deferred tax assets not brought to account	171,219	165,127
Income tax attributable to the entity	-	-

As at 30 June 2012, the consolidated entity had estimated unrecouped operating income tax losses of \$11,312,799 (2011: \$10,037,057). The tax benefit of these losses of \$3,933,840 (2011: \$3,011,117) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

- (i) The Consolidated Entity 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 Consolidated Entity continues to comply with the conditions for deductibility imposed by the law;
- (iii) No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

As at 30 June 2012 there were no franking credits available for subsequent financial years.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2012	2011
	\$	\$
Amounts receivable from:		
Trade receivables	1,001	823
	1,001	823
	1,001	823

NOTE 6: OTHER ASSETS

CURRENT

Prepayments	11,889	14,001
GST receivable	11,433	19,426
Tenement deposits	62,500	10,000
	85,822	43,427
	85,822	43,427

NON-CURRENT

Tenement deposits	12,500	62,500
	12,500	62,500
	12,500	62,500

NOTE 7: EXPLORATION AND EVALUATION ASSETS

NON-CURRENT

Exploration expenditure capitalised:		
- exploration and evaluation phases	3,354,624	3,312,953
	3,354,624	3,312,953
	3,354,624	3,312,953

(a) Movement in carrying amounts

Balance at beginning of the year	3,312,953	2,748,181
Exploration expenditure capitalised	104,701	585,114
Exploration expenditure written off	(63,030)	(20,342)
Carrying amount at end of year	3,354,624	3,312,953
	3,354,624	3,312,953

Recoverability of the carrying amount of exploration assets is dependent on successful development and commercial exploration or sale of the respective areas of interest.

Capitalised costs amounting to \$231,431 (2011: \$429,352) have been included in the cash flows from investing activities in the Statement of Cash Flows.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
NOTE 8: PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment at cost	112,637	112,637
Accumulated depreciation	(56,898)	(44,708)
Total plant and equipment	55,739	67,929

Movement in carrying amounts:

Balance at beginning of year	67,929	23,600
Additions	-	50,618
Depreciation	(12,190)	(6,289)
Carrying amount at end of year	55,739	67,929

NOTE 9: TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities:

Trade payables	13,377	156,762
Sundry payables and accrued expenses	7,585	4,262
	20,962	161,024

Included in trade payables at reporting date is an amount of \$5,335 (2011: \$132,065) payable in respect of exploration and evaluation expenditure.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 10: PROVISIONS	Tenement Restoration	Employee Benefits	Total
	\$	\$	\$
Opening balance at 1 July 2011	5,000	65,972	70,972
Amounts used	-	(65,972)	(65,972)
Additional Provision	-	-	-
Balance at 30 June 2012	5,000	-	5,000

	CONSOLIDATED	
	2012	2011
	\$	\$
Analysis of total provisions:		
Current	-	46,442
Non-current	5,000	24,530
	5,000	70,972

Provision for tenement restoration:

The restoration provision represents the present value of the Director's 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:

The provisions as at 30 June 2011 represent the entitlement for Graham Carman. Due to the termination of his employment contract and assuming the position of Non-Executive Director during the year, the provisions have been paid out as part of his termination benefit.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: ISSUED CAPITAL

CONSOLIDATED AND PARENT ENTITY

	\$	Number
(a) Ordinary Shares		
Ordinary Shares at beginning of reporting period	10,732,353	148,881,492
Issue of shares	194,674	35,395,368
Share issue transaction costs	-	-
Ordinary Shares at reporting date	10,927,027	184,276,860

At reporting date the Company had 184,276,860 (2011: 148,881,492) 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

	2012	2011
	\$	\$
Effect of share-based payment transactions		
Expenses arising from share-based payment transactions	-	-
Expenses arising from share-based payment transactions capitalised as exploration costs	-	20,430
	-	20,430

Movement during the financial year	Number of options 2012	Weighted average exercise price \$	Number of options 2011	Weighted average exercise price \$
Opening number of options	24,110,187	0.11	2,000,000	0.20
Granted during the financial year	-	-	22,110,187	0.10
Lapsed during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Closing number of options	24,110,187	0.11	24,110,187	0.11

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: ISSUED CAPITAL (CONTINUED)

Details of options outstanding as at end of year

Holder	Grant date	Expiry date	% Exercisable at 30 June 2012	30 June 2012 Outstanding Option No.	Exercise Price \$	Fair value at issue date \$	Expected volatility	Risk free rate
JPMorgan Chase & Co	19 May 2008	19 May 2013	100	800,000	0.20	0.06	80%	6.5%
JPMorgan Chase & Co	3 July 2008	3 July 2013	100	1,200,000	0.20	0.03	80%	6.5%
Shareholders	2 Dec 2010	30 Nov 2012	100	22,110,187	0.10	0.01	99%	5.4%
			<u>100</u>	<u>24,110,187</u>				

NOTE 12: AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditor of the Company for:

Audit or review of the Financial Statements

Tax Compliance and other services

CONSOLIDATED	
2012	2011
\$	\$
41,000	39,500
8,960	10,260
<u>49,960</u>	<u>49,760</u>

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: KEY MANAGEMENT PERSONNEL COMPENSATION

Directors

The names of persons who were directors of Paradigm Metals Limited at any time during the financial year are Graham Carman, Stephen Lonergan, and John Gaskell.

	Balance as at 1st July 2011	Issues	Disposals	Balance as at 30th June 2012
Director	No.	No.	No.	No.
Graham Carman	4,320,746	1,100,000	-	5,420,746
John Gaskell	1,960,328	800,000	-	2,760,328
Stephen Lonergan	1,223,969	900,000	-	2,123,969
Total	7,505,043	2,800,000	-	10,305,043

Unlisted Options at \$0.10 each expiring 30 November 2012

	Balance as at 1st July 2011	Issues	Disposals	Balance as at 30th June 2012
Director	No.	No.	No.	No.
Graham Carman	317,915	-	-	317,915
John Gaskell	245,041	-	-	245,041
Stephen Lonergan	166,667	-	-	166,667
Total	729,623	-	-	729,623

Key management personnel

The following were key management personnel at various times during the reporting year:

Graham Carman – Director

John Gaskell – Director

Stephen Lonergan – Director

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 13: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

The aggregate compensation made to key management personnel of the Consolidated Entity are set out below: -

	2012	2011
	\$	\$
Short Term Employee Benefits	221,641	260,018
Post Employment Benefits	7,225	15,482
Other Payments	-	-
Termination Benefits	-	-
Share based payment	-	-
Total	<u>228,866</u>	<u>275,500</u>

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' report.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14: RELATED PARTY TRANSACTIONS

Transactions between related parties are unsecured and will be settled in cash.

Controlled Entities of Paradigm Metals Ltd	Country of Incorporation	Percentage Owned	
		2012 %	2011 %
Paradigm NSW Pty Limited	Australia	100	100
Paradigm Queensland Pty Limited	Australia	100	100
Tungsten NSW Pty Limited	Australia	100	100

Transactions with related parties

	2012 \$	2011 \$
Other related parties		
Sub-lease rent received from John Gaskell (Director)	3,740	3,740
Amount due from John Gaskell (Director) at 30 June 2012	-	343

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 15: JOINT VENTURE

The Company has entered into a Joint Venture agreement with Exco Resources Limited. Together with Paradigm the two companies jointly control Toolebuc Resources Pty Limited which was specifically incorporated to explore for Uranium and other minerals near Cloncurry.

Paradigm's 50% interest in the Joint Venture entity is accounted for in the consolidated financial statements using the proportional consolidation method of accounting. Paradigm's interest in the Joint Venture is reflected below:

	2012	2011
	\$	\$
Current Assets	1,041	1,027
Non – Current Assets	60,370	42,424
Total Assets	61,411	43,451
Current liabilities	6,663	8,750
Total Liabilities	6,663	8,750
Revenues	-	-
Expenses	(177)	(170)
Loss Before Income Tax	(177)	(170)
Income Tax Expenses	-	-
Loss after Income Tax Expense	(177)	(170)

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: FINANCIAL RISK MANAGEMENT

Capital Management

The Consolidated Entity's capital structure consists of deposits with banks, tenement deposits, accounts receivable and payables and loans to and from controlled entities.

Management controls the capital of the consolidated entity in order to ensure that the consolidated entity can fund its exploratory operations and continue as a going concern.

Due to the early stage nature of the consolidated entity's business, the consolidated entity's capital is limited to ordinary share capital.

There are no externally imposed capital requirements.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year. The Consolidated Entity does not have any borrowings.

Financial Instruments

As at 30th June 2012, the consolidated entity held the following financial instruments:

Consolidated Group	Non-Interest Bearing		Interest Bearing				Total	
			1 Year or Less		1 to 5 Years			
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash assets	29,542	109,835	378,960	866,687	-	-	408,502	976,522
Receivables	2	823	-	-	-	-	2	823
Tenement Deposits	75,000	72,500	-	-	-	-	75,000	72,500
Total Financial Assets	104,544	183,158	378,960	866,687	-	-	483,504	1,049,845
Financial Liabilities								
Trade and sundry payables	20,962	161,024	-	-	-	-	20,962	161,024
Total Financial Liabilities	20,962	161,024	-	-	-	-	20,962	161,024
Net Financial Assets	83,582	22,134	378,960	866,687	-	-	462,542	888,821

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Exposures

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The consolidated entity's exposure to interest rate risk is shown below:

Cash flow sensitivity analysis for floating rate financial instruments:

The following table details the effects on net profit and equity if the interest rate was to increase by 5% and decrease by 5%. This assumes that all other variables remain constant.

	Consolidated Entity	
	Profit/(Loss)/Equity	
	2012	2011
	\$	\$
Increased by 5%	20,425	48,828
Decreased by 5%	(20,425)	(48,828)

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations associated with financial liabilities as and when they fall due.

The consolidated entity manages liquidity risk by monitoring cash flows and the maturity profiles of financial assets and liabilities to ensure that it will always have sufficient liquid resources to meet its liabilities as and when they fall due.

The consolidated entity's financial liabilities as at 30th June 2012 consist of trade payables and amounts due to the joint venture partner only. No contractual interest-bearing liabilities were held within the consolidated entity.

The cash flows associated with trade and other payables equals the carrying value and will be fully paid with 6 months of the reporting date.

Fair values of financial instruments

It is noted that the carrying value of all financial instruments at the Statement of Financial Position date are equal to their fair value.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: COMMITMENTS FOR EXPENDITURE

(a) Exploration expenditure commitments

	CONSOLIDATED	
	2012	2011
	\$	\$
Within 1 year	34,208	375,055
1-5 years	139,750	45,875
>5 years	-	-
	173,958	420,930
	173,958	420,930

As at 30 June 2012, Paradigm had no exploration commitment relating to the Toolebuc joint venture as the permit was in the process of renewal.

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 for a period of 2 years from reporting date.

(b) Operating Lease Commitments

	CONSOLIDATED	
	2012	2011
	\$	\$
Within 1 year	-	-
1-5 years	-	-
	-	-
	-	-

NOTE 18: SEGMENT INFORMATION

Description of Segments

Paradigm Metals Limited has applied AASB 8 "Operating Segments" from 1 July 2010. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change of reportable segments presented. The information reported for each segment has also changed and comparative amounts are now reported on a consistent basis with the current period.

Operating segments are now reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors, and Managing Director that collectively make strategic decisions.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: SEGMENT INFORMATION (CONTINUED)

Operating segments

The consolidated entity undertakes the activities of exploration of mineral resources. The Board has therefore identified the reportable segments to be by geographical area of interest as each has different economic characteristics. The regions are New South Wales (NSW) and Queensland (QLD).

	Exploration			2012
	NSW	QLD	Unallocated	
	\$	\$	\$	
Revenues from external parties	-	-	-	-
Inter-segment revenues	-	-	-	-
Other income	-	-	37,416	37,416
Total revenues	-	-	37,416	37,416
Segment profit / (loss)	(453)	(71,434)	(442,672)	(514,559)
Segment assets	3,416,065	74,970	488,564	3,979,599
Segment liabilities	(25,962)	-	(6,663)	(32,625)
Acquisition of non-current assets	51,823	42,207	12,190	106,220

	Exploration			2011
	NSW	QLD	Unallocated	
	\$	\$	\$	
Revenues from external parties	-	-	-	-
Other income	-	-	41,414	41,414
Total revenues	-	-	41,414	41,414
Segment profit / (loss)	(20,538)	(5,128)	(527,998)	(553,664)
Segment assets	3,314,242	114,662	1,078,701	4,507,605
Segment liabilities	132,065	-	108,681	240,746
Acquisition of non-current assets	555,250	34,730	44,333	634,313

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: EARNINGS PER SHARE

	CONSOLIDATED	
	2012	2011
(a) Reconciliation of earnings to net Loss	\$	\$
Net loss after tax	(514,559)	(553,664)
Loss used in the calculation of basic EPS and dilutive EPS	(514,559)	(553,664)
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	150,428,830	130,224,129
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	150,428,830	130,224,129

NOTE 20: NOTES ON THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2012	2011
	\$	\$
(a) Reconciliation of cash and cash equivalents		
Cash at bank	398,167	966,187
Rental Bond	10,335	10,335
	408,502	976,522
(b) Reconciliation of cash flows from operations with loss after income tax		
Loss after income tax	(514,559)	(553,664)
<i>Non cash flows in loss</i>		
Depreciation	12,190	6,289
Exploration expenditure written off	63,030	20,342
Write off of joint venture exploration expenditure	-	-
<i>Changes in Assets and Liabilities</i>		
Decrease/(increase) in trade and other receivables	(178)	167
Decrease/(increase) in other assets	(9,942)	(1,779)
Increase/(decrease) in other payables	(13,332)	2,592
Increase/(decrease) in other provisions	(65,972)	16,575
Net cash used in operating activities	(528,763)	(509,478)

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: SUPERANNUATION COMMITMENTS

The consolidated 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 consolidated entity has no responsibility for the administration or performance of these industry based funds.

NOTE 22: CONTINGENT LIABILITIES

In 2008 Paradigm purchased the tenement site of White Rock from Copper Strike Limited and Sherwood Ventures Pty Limited ("the vendors"). The purchase agreement includes terms obliging Paradigm to pay the vendors \$0.5 million on the announcement to the ASX of a defined Indicated Mineral Resource, and \$1.5 million after the first of (i) completion of a positive Project Feasibility Study, or (ii) a decision to mine.

In 2012 Paradigm entered into an option agreement to sell EL 6274 "White Rock" with Resmetco Limited. As part of this agreement Resmetco has taken responsibility to keep the licence in good standing with the relevant authorities.

NOTE 23: SUBSEQUENT EVENTS

On 3 September 2012, the consolidated entity announced a private placement of 15% of its issued capital, placing 27,500,000 ordinary fully paid shares at \$.008 each to raise \$220,000 before costs. The placement to Garrison Capital Pty Ltd and professional and sophisticated investor clients of Taylor Collison Limited was completed on 7 September 2012 and the proceeds are intended for working capital purposes and seeking new opportunities.

As part of this transaction the Board is to be restructured. Mr John Gaskell is retiring before 30 September 2012 and Mr Brian McMaster of Garrison Capital is to be appointed to the Board.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

PARADIGM METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24: PARENT ENTITY INFORMATION

	2012	2011
Information relating to Paradigm Metals Limited	\$	\$
Current assets	437,480	1,010,292
Total Assets	989,064	1,494,839
Current liabilities	20,962	207,466
Total liabilities	25,962	231,996
	<hr/>	<hr/>
Issued capital	10,927,028	10,732,353
Accumulated losses	(10,331,637)	(9,837,222)
Share options reserve	367,712	367,712
Total shareholders' equity	963,103	1,262,843
	<hr/>	<hr/>
Profit or (loss) of the parent entity	(494,415)	(740,666)
Total comprehensive income of the parent entity	(494,415)	(740,666)
	<hr/>	<hr/>

At reporting date the parent entity had the following contractual commitments for exploration expenditure:

Within 1 year	6,800	20,400
1-5 years	-	6,800
> 5 years	-	-
	<hr/>	<hr/>
	6,800	27,200
	<hr/>	<hr/>

**PARADIGM METALS LIMITED AND CONTROLLED ENTITIES
DIRECTORS DECLARATION**

DECLARATION BY DIRECTORS

The Directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.
5. This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



John Gaskell
Acting Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Paradigm Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Paradigm Metals Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Paradigm Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Paradigm Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the annual financial report, which indicates that during the year ended 30 June 2012, the Consolidated entity incurred a loss for the full year after tax of \$514,559 and a net cash outflow from operating activities of \$528,763. These conditions along with matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the Directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Paradigm Metals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



John Bresolin
Partner

Sydney, 13 September 2012

PARADIGM METALS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

The following sets out how the Company is currently implementing the ASX "Corporate Governance Principles and Recommendations" dated August 2007 as updated in 2010 ("the Principles"). A copy of this Statement is available on the Company's website: www.paradigmmetals.com.au.

Principle 1: Lay solid foundations for management and oversight

The Board has retained all functions pending the CEO (appointed in late 2011) becoming sufficiently familiar with the Company's operations.

There is no published Board Charter. A letter of appointment has been entered into between each Director and the Company. The CEO's performance is to be evaluated each year by the Board essentially against the exploration results and budget outcomes for the past year. The CEO's performance was evaluated on this basis during the year. The process of evaluating the CEO performance is by Board discussion.

Given the size of the Company, there is no induction procedure for senior executives.

Principle 2: Structure the board to add value

It is recommended by the Principles that the majority of the Board should be independent Directors. Two Directors (Messrs Gaskell and Lonergan) are considered to be independent Directors. The skills and experience of each Director and his period in office are set out in the Directors' Report.

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 other Directors which will not be unreasonably refused.

The independent Directors meet from time to time to discuss issues relating the Company without management being present. There is currently no formal Chairman, however either of the independent Directors acts as Chairman as required.

The Board has not established a Nominations Committee as it considers that there is no current need for such Committee. Consequently, there are no procedures for the selection and appointment of new directors. Should a Board vacancy arise, the Board as a whole will meet to decide on an appointee.

The Board has free and unfettered access to the executives in the Company and to the Company Secretary. The term of office held by each Director as at the date of this report is as follows:

	Date of appointment	Re-election
Mr Carman	18 November 2002	2012 AGM
Mr Gaskell	07 November 2002	2013 AGM
Mr Lonergan	07 November 2002	2012 AGM

The period for which each of these Directors has held office is disclosed elsewhere in this Annual Report. The Board as a whole has considered its performance during the year and has (relevant Directors excepted) reviewed the performance of individual Directors, with particular regard to meeting attendance, contributions and participation in strategy and development.

The Company Secretary monitors Board policy and provides assurance that statutory procedures are followed. The Company Secretary coordinates timely completion and dispatch of board agenda and papers. The Company Secretary is appointed and removed by the Board.

New employees are inducted into the Company Codes of Conduct and procedures on commencement of employment. The Company follows a procedure to ensure regular education of employees occurs in their sphere of expertise, monitored by the CEO. This may include regular attendance to conferences, education classes, mine sites, etc.

PARADIGM METALS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

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 other governance policies which are available on the Company's web site.

A Diversity Policy was adopted by the Company in 2012 and is available on the Company's website.

No measurable objectives have yet been established.

The Company has no female employees or Directors.

Principle 4: Safeguard integrity in financial reporting

The Board has adopted a policy requiring the CEO to state in writing to the Board that the Company's Financial Statements 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 two independent Directors being John Gaskell (Chairman) and Stephen Lonergan, whose qualifications are set out in the Directors' Report. 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.

The Company's auditor is BDO which has a policy of rotating the audit Partner each five years.

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 shareholders

The Company maintains a website to facilitate shareholder communication and participation, including an email service. No formal communications policy has been adopted. The Company's auditor attends the Annual General Meeting and is 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.

PARADIGM METALS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

The Board has adopted a requirement that the CEO 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: Remunerate Fairly and Responsibly

Given the small size of the Board and that there are no employees, the Board has not established a Remuneration Committee but remuneration issues are considered by the Board as a whole. There is a clear distinction in the remuneration of the non-executive Directors and that of Management. The Company complies with the guidelines in the Principles for non-executive Director remuneration.

The Company does not maintain any equity-based remuneration scheme other than an employee option scheme.

The main remuneration issues relate to the salary of the CEO, 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. Individual Directors fees are a fixed amount per annum, and there are no retirement benefits provided to Directors. 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.

PARADIGM METALS LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2012

Paradigm Metals Limited

Analysis of Holdings

(a) Security Holdings

Paradigm Metals Limited

Analysis of Holdings as at 13-09-2012

Security Classes

Fully Paid Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	124	13,761	0.006
1,001-5,000	35	124,175	0.059
5,001-10,000	116	1,083,702	0.512
10,001-100,000	498	21,221,223	10.021
100,001-999,999,999	274	189,333,999	89.403
Totals	1,047	211,776,860	100.000

Unlisted Options \$0.10 expiring 30 November 2011

Holdings Ranges	Holders	Total Units	%
1-1,000	10	7,121	0.032
1,001-5,000	89	278,012	1.257
5,001-10,000	142	1,153,111	5.215
10,001-100,000	195	6,310,427	28.541
100,001-9,999,999,999	57	14,361,623	64.954
Totals	493	22,110,294	100.000

(b) Unmarketable Parcels (UMP) at 13-09-2011

Paradigm Metals Limited				
Security Class	Total Securities	UMP Securities	UMP Holders	UMP %
Fully Paid Ordinary Shares	211,776,860	11,989,481	643	5.66137

(c) The names of substantial shareholders listed in the holding Company's register as at 13 September 2012 are:

Nil

(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.

**PARADIGM METALS LIMITED
 ADDITIONAL SHAREHOLDER INFORMATION
 FOR THE YEAR ENDED 30 JUNE 2012**

e) 20 Largest Share Holders

**Paradigm Metals Limited
 Fully Paid Ordinary Shares
 Top 20 Holdings as at 13-09-2012**

Holder Name	Balance at 13-09-2012	%
TAYCOL NOMINEES PTY LTD	17,875,000	8.440
MR BRUCE GRAHAM	7,000,000	3.305
MS MOOI FAH LEE	4,795,383	2.264
MR GRAHAM DONALD CARMAN	4,397,170	2.076
MR JOHN CHARLES BRENNAN	4,200,000	1.983
PHILLIAN PTY LTD <AUSTEN FAMILY NO 1 A/C>	3,941,831	1.861
VEGA FUNDS PTY LTD <THE VIVA ACCOUNT>	3,500,000	1.653
MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENTS A/C>	3,401,515	1.606
MR ASHLEY GRANT HOWARD	3,200,000	1.511
MR MATTHEW GADEN WESTERN WOOD	2,944,735	1.390
GASKELL SUPERANNUATION PTY LIMITED	2,760,328	1.303
MR RAUL USED <THE RAUL USED FAMILY A/C>	2,671,428	1.261
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	2,655,028	1.254
ACN 139 886 025 PTY LTD	2,569,358	1.213
MR ALAN BRIEN & MRS MELINDA BRIEN <A & M BRIEN SUPER FUND A/C>	2,412,513	1.139
MR IANAKI SEMERDZIEV	2,411,000	1.138
SUPER LOOKOUT PTY LTD <WAVE SUPERANNUATION FUND A/C>	2,400,001	1.133
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,215,000	1.046
MR DAVID RAYMOND BOOTHEY	2,133,334	1.007
MR STEPHEN LONERGAN	2,123,969	1.003
	79,607,593	37.590
Total IC	211,776,860	

PARADIGM METALS LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2012

Paradigm Metals Limited
Unlisted Options \$0.10 expiring 30 November 2012
Top 20 Holdings as at 13-09-2012

Holder Name	Balance at 13-09-2012	%
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	1,144,181	5.175
TAYCOL NOMINEES PTY LTD	916,365	4.145
MR BRUCE GRAHAM	500,000	2.261
MR COLIN JOHN HOUGH	500,000	2.261
KAZAKCO PTY LIMITED <KENT FAMILY SUPER FUND A/C>	450,758	2.039
SERLETT PTY LTD <DILIGENT SUPER FUND A/C>	438,480	1.983
DINWOODIE INVESTMENTS PTY LTD <DINWOODIE INVESTMENTS A/C>	412,626	1.866
MR GRAEME WAYNE BOOTH	404,209	1.828
SUPER LOOKOUT PTY LTD <WAVER SUPER FUND A/C>	350,000	1.583
MR MATTHEW WILLIAM BAILEY & MRS FRANCES LORAIN BAILEY <MATTHEW BAILEY A/C>	333,334	1.508
SUPER LOOKOUT PTY LTD <WAVE SUPERANNUATION FUND A/C>	333,334	1.508
MIXAM HOLDINGS PTY LIMITED <COOMBES SUPER FUND A/C>	300,000	1.357
MR GRAHAM DONALD CARMAN	292,655	1.324
PASO HOLDINGS PTY LTD	282,382	1.277
MR GIUSEPPE MANCINI & MRS ANGELA MANCINI	275,083	1.244
MR IANAKI SEMERDZIEV	256,667	1.161
AGGREGATED CAPITAL PTY LTD <SUPER FUND NO 2 ACCOUNT>	250,000	1.131
MRS ELAINE MARIE CUTTEN	250,000	1.131
KIMBRIKI NOMINEES PTY LTD <KIMBRIKI HAMILTON SF A/C>	250,000	1.131
PANSTYN INVESTMENTS PTY LTD	250,000	1.131
PITTAR NOMINEES PTY LTD <THE PITTAR FAMILY A/C>	250,000	1.131
MR RICHARD KAREL VALENTA & MS ROSEMARY ANNE GALL <WATTLE CIRCLE SUPER FUND A/C>	250,000	1.131
YELWAC PTY LTD <THE CAWLEY S/F NO 2 A/C>	250,000	1.131
	8,940,074	40.434
Total IC	22,110,294	

PARADIGM METALS LIMITED
ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2012

(f) Granted tenements and applications held by subsidiaries, joint ventures, as at 13 September 2012

Project	Interest (%)	Tenement	Holder	Location
Frogmore	100	EL 6590	Tungsten NSW Pty Ltd	Boorowa, NSW
White Rock	100	EL 6274	Tungsten NSW Pty Ltd	Boorowa, NSW
Kangiara	100	EL 7273	Tungsten NSW Pty Ltd	Boorowa, NSW
Rosedale	100	EL 7343	Paradigm NSW Pty Ltd	Bathurst, NSW
Marranoonbah	100	EL 7697	Paradigm NSW Pty Ltd	Condobolin, NSW
Yellow Mountain	30	EL 6325	Triako Resources Pty Ltd and Golden Cross Operations Pty Ltd	Condobolin, NSW
Four Mile Tank	100	EPMA 18294	Paradigm Queensland Pty Ltd	Cloncurry Region, QLD
Lady Rose	100	EPMA 19016	Paradigm Queensland Pty Ltd	Cloncurry Region, QLD
Toolebuc JV	50	EPM 16073	Toolebuc Resources Pty Ltd	Cloncurry Region, QLD