



**PARADIGM METALS LIMITED**  
**ACN 102 747 133**

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## **ENTITLEMENT ISSUE PROSPECTUS**

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For a non-renounceable entitlement issue of 6 Shares for every 7 Shares held by those Shareholders registered at the Record Date at an issue price of \$0.003 per Share, together with 1 free attaching listed Option for every 2 Shares subscribed for and issued (**New Option**), to raise up to \$2,201,709 (**Offer**).

**Lead Manager of the Offer:** Lodge Corporate Pty Ltd.



### **IMPORTANT NOTICE**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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## 1. CORPORATE DIRECTORY

### Directors

Anthony Reilly  
*Managing Director*

Brian McMaster  
*Non-Executive Director*

Nicholas Lindsay  
*Non-Executive Director*

### Company Secretary

Paula Cowan

### Share Registry\*

Automic Registry Services  
Suite 1a, Level 1  
7 Ventnor Avenue  
WEST PERTH WA 6005

Telephone: +61 8 9324 2099  
Facsimile: +61 8 9321 2337

### Corporate Advisor\*

Garrison Capital Pty Ltd  
Level 1 330 Churchill Avenue  
Subiaco WA 6008

Telephone: +61 8 9200 4468  
Facsimile: +61 8 9200 4469

### Registered Office

Level 1  
330 Churchill Avenue  
SUBIACO WA 6008

Telephone: +61 8 9200 6264  
Facsimile: +61 8 9200 4469

Email: [info@paradigmmetals.com.au](mailto:info@paradigmmetals.com.au)  
Website: [www.paradigmmetals.com.au](http://www.paradigmmetals.com.au)

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Lead Manager

Lodge Corporate Pty Ltd  
Level 5  
60 Collins Street  
Melbourne VIC 3000

Telephone: +61 3 9200 7000  
Facsimile: +61 8 9200 7077

### Auditor\*

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

\*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

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## 2. TIMETABLE

|                                                                                 |              |
|---------------------------------------------------------------------------------|--------------|
| Lodgement of Prospectus with the ASIC                                           | 22 May 2015  |
| Lodgement of Prospectus & Appendix 3B with ASX                                  | 22 May 2015  |
| Notice sent to Optionholders                                                    | 22 May 2015  |
| Notice sent to Shareholders                                                     | 26 May 2015  |
| Ex date                                                                         | 27 May 2015  |
| Record Date for determining Entitlements                                        | 29 May 2015  |
| Prospectus sent out to Shareholders & Company announces this has been completed | 3 June 2015  |
| Last day to extend the Closing Date                                             | 10 June 2015 |
| Closing Date (5:00 pm WST)*                                                     | 15 June 2015 |
| Securities quoted on a deferred settlement basis                                | 16 June 2015 |
| Notify ASX of under subscriptions                                               | 18 June 2015 |
| Issue date/Securities entered into Shareholders' security holdings              | 22 June 2015 |
| Normal trading of Securities commences*                                         | 23 June 2015 |

\* The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

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### **3. IMPORTANT NOTES**

This Prospectus is dated 22 May 2015 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

#### **3.1 Risk factors**

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus. Key risk factors are set out below. Please refer to Section 7 of this Prospectus for further risk factors, including:

- (a) Sovereign Risks;
- (b) Contractual Risk;
- (c) Additional Requirements for capital;
- (d) Potential acquisitions;
- (e) Explorations risks; and
- (f) Potential dilution.

### 3.2 Directors Interests in Securities

The relevant interest of each of the Directors in the Securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

| Director       | Shares                  | Options                 | Entitlement (Shares) | Entitlement (New Options) | \$       |
|----------------|-------------------------|-------------------------|----------------------|---------------------------|----------|
| Anthony Reilly | Nil                     | Nil                     | Nil                  | Nil                       | Nil      |
| Brian McMaster | 32,831,128 <sup>1</sup> | 10,227,043 <sup>2</sup> | 28,140,967           | 14,070,483                | \$84,423 |
| Nick Lindsay   | Nil                     | Nil                     | Nil                  | Nil                       | Nil      |

#### Notes

1. Mr McMaster has an indirect interest in 17,831,128 Shares through Vega Funds Pty Ltd <The Viva a/c> of which he is a director and shareholder and an indirect interest in 15,000,000 Shares through Garrison Capital Pty Ltd of which he is a director and beneficiary.
2. Mr McMaster has an indirect interest in 5,227,043 Options through Vega Funds Pty Ltd <The Viva a/c> of which he is a director and shareholder and an indirect interest in 5,000,000 Options through Garrison Capital Pty Ltd of which he is a director and beneficiary.

The Options are listed and exercisable at \$0.002 each on or before 31 December 2016.

### 3.3 Substantial Holders

Based on substantial shareholder notices lodged prior to the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

| Shareholder                                                    | Shares      | %     |
|----------------------------------------------------------------|-------------|-------|
| Americas Investments & Participation Limited – Wickham's Cay   | 100,000,000 | 11.68 |
| Nefco Nominees Pty Ltd                                         | 64,201,818  | 7.50  |
| Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C> | 52,249,811  | 6.10  |

In the event all Entitlements are accepted, there will be no change to the substantial holders on completion of the Offer.

### 3.4 Potential dilution to Shareholders

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 46.15% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders (assuming no Options are exercised prior to the Record Date) is set out in the table below.

| Holder        | Holding as at Record date | % at Record Date | Share Entitlements under the Offer | Holdings if Offer not taken Up | % post Offer |
|---------------|---------------------------|------------------|------------------------------------|--------------------------------|--------------|
| Shareholder 1 | 20,000,000                | 2.34%            | 17,142,858                         | 20,000,000                     | 1.26%        |
| Shareholder 2 | 10,000,000                | 1.17%            | 8,571,429                          | 10,000,000                     | 0.63%        |
| Shareholder 3 | 5,000,000                 | 0.58%            | 4,285,715                          | 5,000,000                      | 0.31%        |
| Shareholder 4 | 2,500,000                 | 0.29%            | 2,142,858                          | 2,500,000                      | 0.16%        |
| Shareholder 5 | 1,000,000                 | 0.12%            | 857,143                            | 1,000,000                      | 0.06%        |
| <b>Total</b>  | <b>856,220,340</b>        |                  | <b>733,903,149</b>                 | <b>1,590,123,489</b>           |              |

**Notes:**

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer and no Options are exercised. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

### 3.5 Lead manager

Lodge Corporate has been appointed as lead manager to the Offer. The terms of the appointment of Lodge Corporate as lead manager are summarised in section 8.3.1 of this Prospectus.

### 3.6 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its quoted securities, including its Shares, are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

|         |         |                                                                                        |
|---------|---------|----------------------------------------------------------------------------------------|
| Highest | \$0.004 | 2, 3, and 5 March and 9, 21, 22 and 24 April 2015                                      |
| Lowest  | \$0.002 | 26 February, 19, 20, 25 and 30 March, 1 April and 4, 5, 7, 11, 12, 14, and 18 May 2015 |
| Last    | \$0.002 | 21 May 2015                                                                            |

### 3.7 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

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## 4. DETAILS OF THE OFFER

### 4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of 6 Shares for every 7 Shares held by eligible Shareholders registered at the Record Date at an issue price of \$0.003 per Share, together with 1 free attaching New Option for every 2 Shares subscribed for and issued. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options are exercised prior to the Record Date, including the Options to be issued under the CPS Group Pty Ltd (**CPS Capital Group**), as explained below) a maximum of 733,903,149 Shares and 366,951,574 New Options will be issued pursuant to this Offer to raise approximately \$2,201,709. No funds will be raised from the issue of the New Options.

As at the date of this Prospectus the Company has 262,543,010 Options on issue. Further, as disclosed in the Company's entitlement issue prospectus dated 12 November 2014 (**November Prospectus**), 220,000,000 Options are to be issued to CPS Capital Group (or its nominee) in order to satisfy fees owed to CPS Capital Group (**CPS Deferred Options**). As disclosed in the November Prospectus, the Options are exercisable at \$0.002 per Option with an expiry of 31 December 2016. The issue of the CPS Deferred Options is subject to Shareholder approval at the Company's next general meeting.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6.1 for further information regarding the rights and liabilities attaching to the Shares.

The terms of the New Options offered under this Prospectus are set out in Section 6.2 of this Prospectus.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

### 4.2 Minimum subscription

There is no minimum subscription.

### 4.3 Underwriting

The Offer is not underwritten.

### 4.4 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
  - (i) complete the Entitlement and Acceptance Form; and

- (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
  - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.003 per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

#### 4.5 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to Paradigm Metals Limited – Entitlement Issue Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00 pm (WST) on the Closing Date.

#### 4.6 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.** Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

#### 4.7 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus. Shares not taken up by Eligible Shareholders will form part of the Shortfall Offer. The

issue price of any Shares offered pursuant to the Shortfall Offer will be \$0.003 each, which is the issue price at which Shares have been offered to Eligible Shareholders under the Offer.

Eligible Shareholders who wish to subscribe for Shares above their Entitlement are invited to apply for additional Shares under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form or by making payment for such Shares using BPAY® (refer to Section 4.6 above).

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. The Directors, in conjunction with the Lead Manager, reserve the right to issue Shortfall Shares at their discretion within 3 months after the close of the Offer. However, the Directors confirm that Shortfall Shares will first be issued to existing Shareholders who apply for Shares in excess to their Entitlement and no Shortfall Shares will be issued to result in any person acquiring a voting power in the Company in excess of 20%. If the number of Shortfall Shares issued is less than the number applied for, surplus application monies will be refunded in full as soon as practicable after the closing date of the Shortfall Offer. Interest will not be paid on application monies refunded.

#### **4.8 ASX listing**

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, or such period as varied by the ASIC, the Company will not issue any Securities and will repay all Application Monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

#### **4.9 Issue**

Securities issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Securities issued is less than the number applied for or where no issue is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

#### **4.10 Overseas shareholders**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

#### **4.11 Enquiries**

Any questions concerning the Offer should be directed to Paula Cowan, Company Secretary, on + 61 8 9200 6264.

## 5. PURPOSE AND EFFECT OF THE OFFER

### 5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$2,201,709 (before expenses). No funds will be raised from the issue of the New Options.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

| Item | Proceeds of the Offer                            | (\$)             | %          |
|------|--------------------------------------------------|------------------|------------|
| 1.   | Geophysics – Caninde Graphite Project            | 150,000          | 6.81       |
| 2.   | Metallurgy – Caninde Graphite Project            | 50,000           | 2.27       |
| 3.   | Mapping and trenching – Caninde Graphite Project | 100,000          | 4.54       |
| 4.   | Drilling – Caninde Graphite Project              | 900,000          | 40.88      |
| 5.   | Acquisition payments – Caninde Graphite Project  | 250,000          | 11.36      |
| 6.   | Market research – Brazil graphite                | 50,000           | 2.27       |
| 7.   | Expenses of the Offer <sup>1</sup>               | 168,830          | 7.67       |
| 8.   | Working capital                                  | 532,879          | 24.20      |
|      | <b>Total</b>                                     | <b>2,201,709</b> | <b>100</b> |

#### Notes:

1. Refer to Section 8.8 of this Prospectus for further details relating to the estimated expenses of the Offer. In the event that less than the full subscription is raised by the Offer, funds will be applied first towards the expenses of the Offer and then allocated (in order of priority) to items 1 to 6 in the table above.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

### 5.2 Effect of the Offer

The principal effect of the Offer, assuming all Securities offered under the Prospectus are issued, will be to:

- (a) increase the cash reserves by \$2,032,879 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 856,220,340 as at the date of this Prospectus to 1,590,123,489 Shares following completion of the Offer; and
- (c) increase the number of Options on issue from 482,543,010 (which figure includes the CPS Deferred Options) as at the date of this Prospectus to 849,494,584 Options following completion of the Offer.

### 5.3 Pro-forma balance sheet

The unaudited balance sheet as at 31 March 2015 and the unaudited pro-forma balance sheet as at 31 March shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

|                                      | 31 March<br>2015<br>Unaudited | Capital<br>Raising | Fundraising<br>Costs | 31 March 2015<br>Prof-forma |
|--------------------------------------|-------------------------------|--------------------|----------------------|-----------------------------|
| <b>CURRENT ASSETS</b>                |                               |                    |                      |                             |
| Cash                                 | 430,046                       | 2,201,709          | (168,830)            | 2,462,925                   |
| Receivables                          | 75,155                        |                    |                      | 75,155                      |
| <b>Total Current Assets</b>          | <b>505,201</b>                | <b>2,201,709</b>   | <b>(168,830)</b>     | <b>2,538,080</b>            |
| <b>NON-CURRENT ASSETS</b>            |                               |                    |                      |                             |
| Plant & equipment                    | 1,023                         |                    |                      | 1,023                       |
| Exploration properties               | 2,358,865                     |                    |                      | 2,358,865                   |
| <b>Total Non-current Assets</b>      | <b>2,359,888</b>              | <b>-</b>           | <b>-</b>             | <b>2,359,888</b>            |
| <b>TOTAL ASSETS</b>                  | <b>2,865,089</b>              | <b>2,201,709</b>   | <b>(168,830)</b>     | <b>4,897,968</b>            |
| <b>CURRENT LIABILITIES</b>           |                               |                    |                      |                             |
| Creditors                            | 171,139                       |                    |                      | 171,139                     |
| <b>Total Current Liabilities</b>     | <b>171,139</b>                | <b>-</b>           | <b>-</b>             | <b>171,139</b>              |
| <b>NON CURRENT LIABILITIES</b>       |                               |                    |                      |                             |
| Creditors and provisions             | 5,000                         |                    |                      | 5,000                       |
| <b>Total Non-current Liabilities</b> | <b>5,000</b>                  | <b>-</b>           | <b>-</b>             | <b>5,000</b>                |
| <b>TOTAL LIABILITIES</b>             | <b>176,139</b>                | <b>-</b>           | <b>-</b>             | <b>176,139</b>              |
| <b>NET ASSETS</b>                    | <b>2,688,950</b>              | <b>2,201,709</b>   | <b>(168,830)</b>     | <b>4,721,829</b>            |
| <b>SHAREHOLDERS' EQUITY</b>          |                               |                    |                      |                             |
| Share Capital                        | 13,646,209                    | 2,201,709          | (168,830)            | 15,679,089                  |
| Reserves                             | 92,204                        |                    |                      | 92,204                      |
| Retained Loss                        | (11,049,463)                  |                    |                      | (11,049,463)                |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>    | <b>2,688,950</b>              | <b>2,201,709</b>   | <b>(168,830)</b>     | <b>4,721,829</b>            |

## 5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Securities offered under the Prospectus are issued, is set out below.

### Shares

|                                                            | Number               |
|------------------------------------------------------------|----------------------|
| Shares currently on issue                                  | 856,220,340          |
| Shares to be issued pursuant to the Offer                  | 733,903,149          |
| <b>Total Shares on issue after completion of the Offer</b> | <b>1,590,123,489</b> |

### Options

|                                                             | Number             |
|-------------------------------------------------------------|--------------------|
| Options currently on issue <sup>1</sup>                     | 262,543,010        |
| CPS Deferred Options                                        | 220,000,000        |
| New Options to be issued pursuant to the Offer <sup>2</sup> | 366,951,574        |
| <b>Total Options on issue after completion of the Offer</b> | <b>849,494,584</b> |

### Note

1. Listed Options exercisable at \$0.002 on or before 31 December 2016.
2. Refer to Section 6.2 of this Prospectus for the terms and conditions of the New Options.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 1,118,827,845 Shares (which figure does not include the Shares that would be issued on conversion of the CPS Deferred Options) and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 2,219,618,073 Shares (which figure does not include the Shares that would be issued on conversion of the CPS Deferred Options).

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## **6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES**

### **6.1 Shares**

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting rights**

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

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

#### **(c) Dividend rights**

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

#### **(d) Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

#### **(e) Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to

formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

(f) **Future increase in capital**

The allotment and issue of any Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(g) **Variation of rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

The Shares are quoted on ASX.

## 6.2 **New Options**

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.002 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5.00pm (WST) on 31 December 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option

certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days of the Exercise Date, but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Quotation**

The Company will apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## **7. RISK FACTORS**

### **7.1 Introduction**

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **7.2 Company specific**

#### **(a) Sovereign Risks**

The Company's interest in the Caninde Graphite Project is located in Brazil. The Company also intends to pursue potential opportunities in other jurisdictions including Australia and the Americas. Accordingly, the Company is subject to the risks associated in operating in foreign countries. These risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company and its advisers will undertake all reasonable due diligence in assessing and managing the risks associated with mineral exploration in Brazil, Australia and the Americas. However, any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects is outside the control of the Company. Such changes may affect the foreign ownership, exploration, development or activities of companies involved in mining exploration and production and in turn may affect the viability and profitability of the Company.

#### **(b) Contractual Risk**

Pursuant to the terms of the Caninde Graphite Project acquisition, the Company must meet a number of payment, drilling and feasibility study obligations and commence commercial production over the next 6 years before obtaining 80% ownership of the project. Therefore, the Company does not have immediate and direct ownership of the Caninde Graphite Project. There is a risk that, if the Company cannot meet its obligations under the agreement, the Company may lose its rights to the Caninde Graphite Project. The Company has no current

reason to believe that it will not meet and satisfy its obligations pursuant to the terms of the acquisition.

Additionally, in order for the Company to be able to achieve its objectives in relation to the Caninde Graphite Project, the Company is reliant on the underlying owner complying with its contractual obligations to complete the transfer of the rights to the project to the Company. In the event that the underlying owner does not comply with its obligations, it may then be necessary for the Company to approach a local court to seek an appropriate legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms or at all. The Company has no current reason to believe that the underlying owner will not meet and satisfy its obligations under the agreement.

(c) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. The availability of equity funding is subject to market risk at the time and there is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, scale back its exploration programmes and this may result in loss of tenure, as the case may be. The Offer terms have been set to give existing eligible Shareholders an opportunity to maintain (or potentially increase) their interests in the Company and thereby ensuring successful completion of the Offer.

(d) **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, other companies or prospects, although no such acquisitions are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(e) **Exploration risks**

Exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there can be no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

(f) **Potential Dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 856,220,340 currently on issue to 1,590,123,489. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last closing price of Shares on ASX prior to the Prospectus being lodged of \$0.002 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

### **7.3 Industry specific**

#### **(a) Exploration and development risks**

The primary business of the Company is exploration for, and commercial development of mineral ore bodies, which is subject to the risks inherent in these activities. Its operations are still in the exploration and evaluation phase. The current and future operations of the Company may be affected by a range of factors, including:

- (i) geological conditions;
- (ii) limitations on activities due to seasonal weather patterns;
- (iii) alterations to exploration programs and budgets;
- (iv) unanticipated operational and technical difficulties encountered in trenching, drilling, development, production and treatment activities;
- (v) mechanical failure of operating plant and equipment;
- (vi) adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- (vii) unavailability of drilling, mining, processing and other equipment;
- (viii) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment and labour;
- (ix) prevention of access by reason of political or civil unrest, outbreak of hostilities, inability to obtain regulatory or landowner consents or approvals;
- (x) terms imposed by government on development of mining projects including conditions such as equity participation, royalty rates and taxes;
- (xi) delays in completing feasibility studies and obtaining development approvals; and
- (xii) risks of default or non-performance by third parties providing essential services.

No assurance can be given that future exploration will be successful or that a commercial mining operation will eventuate.

The ultimate success and financial viability of the Company depends on the discovery and delineation of economically recoverable ore

reserves, design and construction of efficient mining and processing facilities, and competent operational and managerial performance. There is no assurance that exploration and development of the mineral interests held by the Company, or any other projects that may be acquired by the Company in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited by the Company.

Development of a commercial mining operation is also dependent on the Company's ability to obtain necessary titles and governmental and other regulatory approvals on a timely basis.

(b) **Resource estimations**

Resources estimates are expressions of judgement based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made.

Additionally, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

(c) **Environmental**

The Company's projects are or may be subject to various laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.

(d) **Operating risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve

commercial viability through the successful exploration and/or mining of its projects. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

## **7.4 General risks**

### **(a) Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

## **7.5 Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## **8. ADDITIONAL INFORMATION**

### **8.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **8.2 Continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

| Date       | Description of Announcement                                |
|------------|------------------------------------------------------------|
| 30/04/2015 | Drill Results on Caninde Graphite Project, Brazil          |
| 29/04/2015 | Trading Halt                                               |
| 23/04/2015 | Quarterly Cashflow Report                                  |
| 23/04/2015 | Quarterly Activities Report                                |
| 17/04/2015 | Placement Cleansing Notice s 708A(5)(e)                    |
| 17/04/2015 | Appendix 3B                                                |
| 17/04/2015 | Capital Raising - Placement and Mandate for Future Raising |
| 30/03/2015 | Appendix 3B                                                |
| 18/03/2015 | Drilling Completed at Caninde Graphite Project             |
| 16/03/2015 | Appendix 3B                                                |
| 02/03/2015 | Outstanding Graphite Intercept in First Drill Hole         |
| 27/02/2015 | Trading Halt                                               |
| 26/02/2015 | Half Year Financial Report                                 |
| 04/02/2015 | Drilling Commenced at Caninde Graphite Project             |
| 29/01/2015 | Becoming a substantial holder                              |
| 28/01/2015 | Appendix 3B                                                |
| 28/01/2015 | Change of Director's Interest Notice                       |
| 28/01/2015 | Rights Issue Shortfall Placed                              |
| 27/01/2015 | Quarterly Cashflow Report                                  |
| 27/01/2015 | Quarterly Activities Report                                |
| 22/01/2015 | Update on Caninde Graphite Project                         |
| 22/12/2014 | Investor Presentation                                      |

| Date       | Description of Announcement                     |
|------------|-------------------------------------------------|
| 16/12/2014 | Disclosure - LR 7.1A.3                          |
| 09/12/2014 | Appendix 3B                                     |
| 05/12/2014 | Rights Issue Shortfall                          |
| 21/11/2014 | Entitlement Issue - Despatch of Documents       |
| 13/11/2014 | Letter to Shareholders                          |
| 12/11/2014 | Appendix 3B                                     |
| 12/11/2014 | Entitlement Issue Prospectus                    |
| 04/11/2014 | Fully Underwritten Rights Issue                 |
| 04/11/2014 | Appendix 3B and ASX Listing Rule Information    |
| 04/11/2014 | Acquisition of Caninde Graphite Project         |
| 31/10/2014 | Trading Halt                                    |
| 22/10/2014 | Sale of Unmarketable Parcels Facility Completed |
| 15/10/2014 | Initial Director's Interest Notice              |
| 15/10/2014 | Final Director's Interest Notice                |
| 14/10/2014 | Results of Annual General Meeting               |
| 14/10/2014 | Changes to AGM Resolutions                      |
| 13/10/2014 | Board Changes                                   |
| 13/10/2014 | Quarterly Cashflow Report                       |
| 13/10/2014 | Quarterly Activities Report                     |
| 23/09/2014 | Sale of White Rock Tungsten Project             |
| 11/09/2014 | Notice of Annual General Meeting                |
| 05/09/2014 | Ceasing to be a substantial holder              |
| 25/08/2014 | Annual Report 2014                              |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website [www.paradigmmetals.com.au](http://www.paradigmmetals.com.au).

### 8.3 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

#### 8.3.1 Lodge Corporate Pty Ltd Mandate Letter

The Company has appointed Lodge Corporate Pty Ltd (**Lodge Corporate**) to act as lead manager in relation to the Offer (**Mandate Letter**) who will co-ordinate and manage the Offer for 733,903,149 Shares (**Securities**).

Pursuant to the Mandate Letter, the Company has agreed to pay Lodge Corporate:

- (a) a retainer fee of \$10,000 (which fee has been paid by the Company on signing the Mandate Letter);
- (b) a management fee of 2% (plus any applicable GST) of the gross amount raised from the Offer; and
- (c) a selling fee of 4% (plus any applicable GST) of the gross amount raised from the Offer.

Lodge Corporate will also be entitled to reimbursements for any reasonable expenses incurred.

The Mandate Letter also contains a number of indemnities, representations and warranties from the Company to Lodge Corporate that are considered standard for an agreement of this nature.

#### **8.4 Interests of Directors**

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

#### **Security holdings**

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in Section 3.2 of this Prospectus.

#### **Remuneration**

The Constitution of the Company provide that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, where notice of the amount of the suggested increase and the maximum sum that may be paid shall have been given to shareholders in the notice convening the meeting. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to

the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$150,000 per annum.

The remuneration of executive Directors is decided by the Board, without the affected executive Director participating in that decision-making process and may be paid by way of fixed salary or commission.

In the last two financial years, \$468,028 (\$284,551 in 2014 and \$183,477 in 2015) has been paid by the Company by way of remuneration for services provided by the Directors, companies associated with the Directors or their associates in their capacity as directors, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the last financial year prior to the date of this Prospectus and their current remuneration at the date of this Prospectus, inclusive of directors fees and consultancy fees.

| Director       | Financial year ended 30 June 2014 | Current financial year ending 30 April 2015 |
|----------------|-----------------------------------|---------------------------------------------|
| Brian McMaster | \$44,000                          | \$48,400                                    |
| Anthony Reilly | \$240,551                         | \$118,577                                   |
| Nick Lindsay   | Nil                               | \$16,500                                    |

## 8.5 Agreements with Directors and Related Parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

## 8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Lodge Corporate as Lead Manager will be paid the fees set out in Section 8.3.1 in respect of this Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services.

## **8.7 Consents**

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Lodge Corporate has given its written consent to being named as Lead Manager to the Offer in this Prospectus, in the form and context in which it is named. Lodge Corporate has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

CPS Capital Group has not given its written consent to being named in this Prospectus and will not be paid any fees in connection with the Offer.

## **8.8 Expenses of the offer**

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$168,830 (excluding GST) and are expected to be applied towards the items set out in the table below:

|                           |                |
|---------------------------|----------------|
|                           | \$             |
| ASIC fees                 | 2,290          |
| ASX fees                  | 9,437          |
| Lead Manager Fees         | 132,103        |
| Legal fees                | 10,000         |
| Corporate fee             | 10,000         |
| Printing and distribution | 5,000          |
| <b>Total</b>              | <b>168,830</b> |

## 8.9 Electronic prospectus

The ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9200 6264 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.paradigmmetals.com.au](http://www.paradigmmetals.com.au).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## 8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing Share or New Option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares and New Options issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## **8.12 Privacy Act**

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

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**9. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



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**Brian McMaster**  
**Director**  
**For and on behalf of**  
**PARADIGM METALS LIMITED**

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## 10. GLOSSARY

**\$** means the lawful currency of the Commonwealth of Australia.

**Applicant** means a Shareholder who applies for Securities pursuant to the Offer or a Shareholder or other party who applies for Shortfall Securities pursuant to the Shortfall Offer.

**Application** means an application to subscribe for Securities under this Prospectus.

**Application Form** means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

**Application Monies** means money submitted by Applicants in respect of Applications.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the listing rules of the ASX.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

**Caninde Graphite Project** means the Company's 80% held Caninde graphite project located in Ceara State, Brazil.

**Closing Date** means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

**Company** means Paradigm Metals Limited (ACN 102 747 133).

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CPS Capital Group** means CPS Capital Group Pty Ltd (ACN 088 055 636).

**CPS Deferred Options** has the meaning given in Section 4.1 of this Prospectus.

**Directors** means the directors of the Company as at the date of this Prospectus.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

**Lodge Corporate, Lodge Corporate Pty Ltd or Lead Manager** means Lodge Corporate Pty Ltd (ACN 125 323 168), Authorised Representative No 316212 of Lodge Partners Pty Ltd (AFSL 246271).

**New Option** means an Option issued on the terms set out in Section 6.2 of this Prospectus.

**Offer** means the non-renounceable entitlement issue the subject of this Prospectus.

**Official Quotation** means official quotation on ASX.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Prospectus** means this prospectus.

**Record Date** means the date specified in the timetable set out at the commencement of this Prospectus.

**Securities** means Shares and/or New Options offered pursuant to the Entitlement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Shortfall** means the Securities not applied for under the Offer (if any).

**Shortfall Application Form** means the shortfall application form either attached to or accompanying this Prospectus.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in Section 4.7 of this Prospectus.

**Shortfall Securities** means those Securities issued pursuant to the Shortfall.

**WST** means Western Standard Time as observed in Perth, Western Australia.